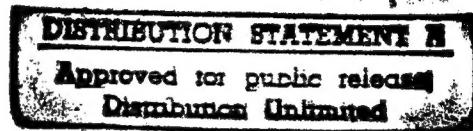




# ***JPRS Report***



## **East Europe**

19980202 055

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# East Europe

JPRS-EER-91-135

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11 September 1991

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**Nano Interviewed on Visit to Israel**

91P20469A Tirana ZERI I POPULLIT in Albanian  
15 Aug 91 pp 1, 3

[Interview with Fatos Nano, chairman of the Socialist Party of Albania, by journalist Naim Zoto, on the visit of the Socialist Party delegation to Israel; place and date not given: "Albania and Israel in the Socialist Perspective"]

[Excerpts] [Zoto] Comrade Fatos, our readers have been informed about your visit in Israel at the invitation of the chairman of the Labor Party, Shimon Peres. Can you give us more information about this visit? First of all, about your meeting with Mr. Peres and other personalities in this party.

[Nano] Our visit to Israel was very interesting and successful. Along with Shkelqim Cani, a member of the leadership of our party, I had some very interesting meetings and conversations. The main meeting was with Shimon Peres, the chairman of the Labor Party. Mr. Peres considered the visit of the delegation from the Socialist Party of Albania [PSSH] to Israel to be an event of great importance for the establishment of political relations between our two countries. He praised the attitude of the Socialist Party in regard to the democratization processes in Albania, stressing that "the period through which Albania is passing, after just emerging from many years of isolation, is a difficult period, a period of the struggle for existence of the Albanian people—a small nation with 3.2 million inhabitants, which must struggle to defend its country and culture and to strengthen its economy, along with struggling for democracy."

Mr. Peres stressed that they are ready to help the PSSH and the Albanian people, especially in the following key areas:

- Accepting the invitation to visit Albania, Shimon Peres said that he would try to come at the beginning of October with a group of political and economic experts.
- Specialists would be sent to Albania from the Israeli Labor Party to concretize and finalize the PSSH program.
- Assistance would be given to ensure the recognition of the PSSH by other international leftist parties as well as the support, without reservation, for its membership in the Socialist International.

In the economic field, he stressed that his party would influence Israeli investors to become involved in investment programs in Albania and, for this purpose, he asked for various materials on existing laws in Albania. Also, he emphasized that he would take action in parliament and with Israeli government authorities to ensure that they prepare economic aid for Albania and, for this purpose, he asked for a list of commodities that we need.

The heads of the two parties stressed that the only road to development for our country is the market economy and they exchanged opinions on this subject, reaching full agreement on the need for gradual and mature developments in carrying out this transition, especially in regard to privatization. Mr. Peres stressed: "You need an economy which is balanced by the state, in which public, cooperative, and private sectors coexist and compete. All sorts of fevers for privatization endanger democracy and the life of the majority of the people. Therefore, maturity is needed. This is provided by the program for the development of the economy by the state, in which, in contrast to the previous system, you must plan the dikes and not the quantity of water. The fall of totalitarian communism in the eastern European countries does not compromise the ideal and the alternative of democratic socialism, because this is exactly where the dictatorship failed in the face of democracy. The experience of Israel is good and Albania can use it, because the two countries are small countries, economically and geographically."

The relations of assistance and cooperation between the two parties will develop without any political conditions, Mr. Perez said. The times and the peace process initiated in the Middle East between Israel and the Arab countries gives us this message.

We also had a meeting with Yitzak Rabin, another leader of this party. Rabin had high praise for the visit of the PSSH group in Israel. [passage omitted] In a brief analysis of the situation in the Middle East he stressed the difficulties involved in the discussions initiated among the countries of the region in regard to a future peace conference, whose achievement would be a complex process, which must take concrete form, first of all, in bilateral discussions with each Arab state.

Rabin called for the coordination of the work of our two parties. There is no need for our parties to remain simply on the left of the processes which are taking place in the world these days; they should be in the center of the processes. [passage omitted]

Mr. Rabin emphasized that they do not know the situation in Albania. Therefore, first of all, they want to get to know it and then they will determine what should be done in the area of economic cooperation. He asked for information on the PSSH and on Albania and, in connection with this, they intend to send specialists to our country to give concrete assistance in those sectors where help is needed and where Israel is able to help.

Agriculture and tourism are two sectors in which our two countries can cooperate.

Another possibility for cooperation is the sending of Albanian workers to work in the construction sector in Israel. This moment should be seized in light of the fact that, with the increase in the number of Jews emigrating to Israel from the Soviet Union and from other countries of the world, it is expected that, in the future, Israel will not need to import workers.

[Zoto] Were there any other meetings besides the party contacts?

[Nano] We met with the president of the Israeli parliament, Dov Shilansky, who briefed us on the organization of the Israeli parliament. He hailed the coming establishment of diplomatic relations and expressed his readiness for exchanges of parliamentary visits between the two countries. [passage omitted] During our visit to the Knesset, we also had meetings with the head of the parliamentary group of the Labor Party, Haim Raman, and with other members of parliament such as the former minister of energy, Hoshe Shal, professor Sheba Vayse, etc.

[Zoto] You had planned to get some information on organizing trade unions. What experience did you gain?

[Nano] In the meeting with Yessrael Kaisar, secretary of the General Federation of Labor, established in 1920, the PSSH delegation learned about the economic and trade union activity of this organization which is known as Histadrut. [passage omitted] Mr. Kaisar expressed his readiness to include Albanian trade unionists in the Histadrut seminars on the eastern European countries. The seminars will be organized free of charge and will be conducted in English. [passage omitted]. He said that he was ready to welcome a delegation from our country. He accepted the invitation to visit our country but he did not specify the time.

[Zoto] Israeli agriculture is famous throughout the world. That country has the model cooperative organization. Since you had an opportunity to learn about this, what can you tell our readers?

[Nano] In a meeting with Nissim Zvili from the Moshavim private cooperative farmers movement, the group learned about the organization of this movement and its activity. [passage omitted] Mr. Zvili, discussing the situation in Albania and describing his experience emphasized that "in Albania, a revolution is going on in the field of politics, while you must carry out the transition to the market economy with an evolutionary process. Economic evolution is a long process and cannot be carried out by a quick operation, therefore the political leadership must anticipate the economic evolution and must sidetrack any erroneous activity. I do not believe in the free market economy but in the private economy managed by the government. For this purpose, the Albanian government must take some steps in the following three main directions:

—managing the economy from the national level, on the basis of accurate plans, which, in agriculture, requires that production quotas and types of production be determined on the national level, in order to orient competition.

—providing advantages for foreign investors.

—providing legal guarantees for foreign investments, which would be independent of the political situations which might be created."

"In Albania," he stressed, "there is not enough arable land so it would not be a good idea for everyone to have some land since it would be divided into small plots. Such a form does not create conditions for private freedom. Before the land is divided, the key production indicators which will satisfy the needs on the national basis should be determined and the minimum unit of land should be set on the basis of agricultural yields. The land should be divided into these optimal farmland units and given to the same number of families as there are land units. The other families will have to leave the village and work in the other economic activities of the country. After the land is divided, production will begin and develop on a private basis, but this does not rule out the need for cooperation in trade between farmers in the face of competition."

He went on to say that the state should invest in agriculture even when it is based in the private economy, because the peasant who has just taken over the land cannot use the best means and seeds because of a lack of financial resources. The state of Israel subsidizes 40 percent of every investment in agriculture. You have to be careful because mistakes in agriculture are dangerous and very difficult to correct. So that we would not make mistakes, he offered us the assistance of his organization to help our country in the privatization process in the villages.

They offered us assistance in training our agricultural specialists and in increasing agricultural yields by using Israeli technology which is the most advanced in the world.

They proposed to send their specialists to Albania for six months to draw up a plan for developing agriculture in our country. [passage omitted]

[Zoto] Albanian public opinion is aware that diplomatic relations will soon be established between Albania and Israel. How is this fact being received in Israel?

[Nano] In the meetings we had in the Israeli Ministry of Foreign Affairs with Yosef Govrin, emphasis was placed on the importance of establishing diplomatic relations between our two countries. The Israelis are ready to receive the minister of foreign affairs of Albania, Muhamet Kapllani, for the purpose of discussing and agreeing on the establishment of diplomatic relations. The Israeli ambassador in Rome has been charged with taking care of this. The Israelis regard the PSSH's policy for emerging from isolation and making as many contacts as possible with the world as a factor which strengthens Albania.

Criticizing the policy of isolation carried on by our country up to now, they stressed that Albania has been a

black hole for ordinary Israelis and for government officials so there must be more exchanges of visits and information.

They expressed the readiness of the Israeli government to provide economic aid to our country and, for this reason, they asked that a list of items that we want to import be given to them before Muhamet Kapllani's visit to Israel so that preparations can be made. They are prepared to send us agricultural specialists and to have our specialists come to Israel.

In all the meetings, the desire was expressed to begin relations of cooperation based on the common fates in history of the two countries and the new climate for dialogue created in the world today, especially in the Arab countries. They expressed their readiness to cooperate as Mediterranean countries.

[Zoto] The attitude of the Albanian people toward the Jews during World War II is known. Many of these Jews who were in Albania have now returned to Israel. An Albanian-Israeli friendship society has been created in Albania. What role have the Albanian Jews in Israel played in strengthening relations with Albanian.

[Nano] We talked with a group of Albanian Jews residing in Tel Aviv. They decided to establish an Israeli-Albanian friendship society and to help to organize an exhibition on the Jewish diaspora in Albania. I was very touched when the organizing committee made me an honorary member of this society, which will also include representatives of political, economic, and social life in Israel.

During my stay in Rome, I met with the deputy of the Italian Socialist Party, Francesco De Carli, who stressed that preparations are continuing for a special meeting in

September with Bettino Craxi in connection with membership in the Socialist International and the further development of relations between our two parties.

**Turkish Symbols in Muslim Obituaries  
Condemned**

91P20465A *Tirana BASHKIMI* in Albanian  
22 Jul 91 p 2

[Unattributed article: "Something Which Must Be Changed: Albanian Muslims Are Becoming Muslims of Another Religion!—Political Symbols Appear as Religious Symbols"]

[Text] Citizens Skender Jasa, Sherif Delvina, and Islam Sharofi came to see the editorial staff of the newspaper. They brought us this disturbing piece of news:

"Recently, symbols which have never been used in Albania have been appearing in obituaries of Muslims. The star and the crescent have been appearing. These are not symbols of the Muslim religion but of the Turkish state. Political symbols are being 'sold' as religious symbols. We expressed our concern to the director of funeral services in Tirana, Perikli Shomo. He insisted that there was nothing wrong with the use of these symbols and even said that they were used at the request of the Albanian Islamic Community. The truth is that this Community not only did not request the use of these symbols but also opposed it. We expressed our concern to the executive committee of the Tirana District People's Council and the General Directorate for the Communal Economy. However, nothing has changed so far although these organs said we were right. So why are director Perikli Shomo and the funeral service enterprise doing this?"

**Ukase Determining Details of Electoral Districts**

91P20466A Sofia DURZHAVEN VESTNIK  
in Bulgarian 30 Aug 91 pp 2-4

[“Text” of the presidential ukase issued in Sofia on 23 August 1991 and signed by Zhelyu Zhelev, president of the Republic of Bulgaria]

[Text]

**Ukase No. 260 of the President of the Republic Zhelyu Zhelev issued in Sofia on 23 August 1991 and sealed with the state seal**

On the basis of Article 21, Paragraph 2, of the Law on Electing National Representatives, Township Council Members, and Mayors, I hereby decree that for the conducting of the election for the National Assembly, the boundaries, names, and numbers of the electoral districts will be designated as follows:

1. First Multiple Mandate Electoral District of Blagoevgrad, including the townships [obshtini] Bansko, Belitsa, Blagoevgrad, Gotse Delchev, Gurmen, Kresna, Petrich, Razlog, Sandanski, Satovcha, Simitli, Strumyani, Khadzhidimovo, and Yakoruda.
2. Second Multiple Mandate Electoral District of Burgas, including the townships Burgas, Pomorie, Nesebur, Sozopol, Michurin, Malko Turnovo, Grudovo, Karnobat, Aytos, Ruen, Sungurlare, and Kameno.
3. Third Multiple Mandate Electoral District of Varna, including the townships Varna, Avren, Aksakovo, Beloslav, Byala, Vetrino, Vulchi Dol, Dolen Chiflik, Devnya, Dulgopol, Provadiya, and Suvorovo.
4. Fourth Multiple Mandate Electoral District of Veliko Turnovo, including the townships Veliko Turnovo, Gorna Oryakhovitsa, Svishtov, Pavlikeni, Elena, Polski Trumbesh, Strazhitsa, Lyaskovets, Zlataritsa, and Sukhindol.
5. Fifth Multiple Mandate Electoral District of Vidin, including the townships Vidin, Belogradzhik, Boynitsa, Bregovo, Gramada, Dimovo, Kula, Makresh, Novo Selo, Ruzhinstsi, and Chuprene.
6. Sixth Multiple Mandate Electoral District of Vratsa, including the townships Vratsa, Kozloduy, Krivodol, Mezdra, Miziya, Oryakhovo, Roman, and Khayredin.
7. Seventh Multiple Mandate Electoral District of Gabrovo, including the townships Gabrovo, Sevlievo, Dryanovo, and Tryavna.
8. Eighth Multiple Mandate Electoral District of Dobrich, including the townships Dobrich city, Dobrich township, Balchik, General Toshevo, Kavarna, Krushari, Tervel, and Shabla.
9. Ninth Multiple Mandate Electoral District of Kurdzhali, including the townships Kurdzhali, Ardino, Dzhebel, Kirkovo, Krumovgrad, Momchilgrad, and Chernoochene.
10. Tenth Multiple Mandate Electoral District of Kyustendil, including the townships Kyustendil, Bobovdol, Boboshevo, Kocherinovo, Nevestino, Rila, Sapareva Banya, Stanke Dimitrov, and Treklyano.
11. Eleventh Multiple Mandate Electoral District of Lovech, including the townships Lovech, Troyan, Teteven, Lukovit, Yalanitsa, Ugurchin, Letnitsa, and Apriltsi.
12. Twelfth Multiple Mandate Electoral District of Mikhaylovgrad, including the townships Mikhaylovgrad, Berkovitsa, Boychinovtsi, Brusarts, Vulchedrum, Vurshets, Georgi Damyanovo, Lom, Medkovets, Chiprovtsi, and Yakimovo.
13. Thirteenth Multiple Mandate Electoral District of Pazardzhik, including the townships Pazhardzhik, Batak, Belovo, Bratsigovo, Velingrad, Lesichovo, Panagyurishte, Peshtera, Rakitovo, Septemvri, and Strelcha.
14. Fourteenth Multiple Mandate Electoral District of Pernik, including the townships Pernik, Breznik, Zemen, Kovachevtsi, Radomir, and Trun.
15. Fifteenth Multiple Mandate Electoral District of Pleven, including the townships Pleven, Dolna Mitropoliya, Dolin Dubnik, Nikopol, Levski, Cherven Bryag, Belene, Gulyantsi, Pelovo, and Pordim.
16. Sixteenth Multiple Mandate Electoral District of Plovdiv city, including the township of Plovdiv
17. Seventeenth Multiple Mandate Electoral District of Plovdiv [region], including the townships “Rodopi,” “Maritsa,” Asenovgrad, Brezovo, Kaloyanovo, Karlovo, Luki, Purvomay, Rakovski, Sadovo, Suedinenie, and Khisarya.
18. Eighteenth Multiple Mandate Electoral District of Razgrad, including the townships Razgrad, Zavet, Isperikh, Kubrat, Samuil, Tsar Kaloyan, and Lozntsia.
19. Nineteenth Multiple Mandate Electoral District of Ruse, including the townships Ruse, Borovo, Byala, Dve Mogili, Ivanovo, Vetovo, Slivo Pole, and Tsenovo.
20. Twentieth Multiple Mandate Electoral District of Silistra, including the townships Silistra, Alfatar, Glavinitsa, Dulovo, Kaynardzha, Sitovo, and Tutrakan.
21. Twenty-first Multiple Mandate Electoral District of Sliven, including the townships Sliven, Kotel, Tvarditsa, and Nova Zagora.
22. Twenty-second Multiple Mandate Electoral District of Smolyan, including the townships Smolyan, Banite, Borino, Devin, Dospat, Zlatograd, Madan, Nedelino, Rudozem, and Chepelare.

23. Twenty-third Multiple Mandate Electoral District of Sofia city, including the townships "Mladost," "Studentska," "Isqrev," "Lozenets," "Triaditsa," "Pancharovo," "Vitosha," and "Krasno Selo."

24. Twenty-fourth Multiple Mandate Electoral District of Sofia city, including the townships "Iskur," "Slatina," "Kremikovtsi," "Poduyane," "Serdika," "Oborishte," "Vuzrazhdane," and "Sredets."

25. Twenty-fifth Multiple Mandate Electoral District of Sofia city, including the townships "Krasna Polyan," "Ovcha Kupel," "Ilinden," "Lyulin," "Bankya," "Vrubnitsa," "Nadezhda," and "Novi Iskur."

26. Twenty-sixth Multiple Mandate Electoral District of Sofia [district], including the townships Bozhurishte, Botevgrad, Godezh, Gorna Malina, Dragoman, Elin Pelin, Etropole, Ikhtiman, Koprivshtitsa, Kostinbrod, Kostenets, Pravets, Samokov, Svoge, Slivnitsa, Zlatitsa, Pirdop, Anton, Mirkovo, Chavdar, and Chelopech.

27. Twenty-seventh Multiple Mandate Electoral District of Stara Zagora, including the townships Stara Zagora, Bratya Daskalovi, Gulubovo, Kazanluk, Muglizh, Opan, Pavel Banya, Radnevo, and Chirpan.

28. Twenty-eighth Multiple Mandate Electoral District of Turgovishte, including the townships Turgovishte, Antonovo, Omurtag, Opaka, and Popovo.

29. Twenty-ninth Multiple Mandate Electoral District of Khaskovo, including the townships Khaskovo, Dimitrovgrad, Ivaylovgrad, Madzharovo, Mineralni Bani, Svilengrad, Lyubimets, Topolovgrad, Kharmanli, Simeonovgrad, and Stambolovo.

30. Thirtieth Multiple Mandate Electoral District of Shumen, including the townships Shumen, Venets, Vurbitsa, Kaolinovo, Kaspichan, Novi Pazar, Nikola Kozlevo, Preslav, Smyadovo, and Khitribo.

31. Thirty-first Multiple Mandate Electoral District of Yambol, including the townships Yambol, "Tundzha," Straldzha, Elkhovo, and Bolyarovo.

I entrust the task of implementing this ukase to the Council of Ministers.

#### National Security Question, Ethnic Minorities

91BA0986A Sofia *TRUD* in Bulgarian 24 Jul 91 p 3

[Interview with academician Ilcho Dimitrov by Iva Yolova; place and date not given: "Tanks, Sense and ... National Ideals; a Conversation With Academician Ilcho Dimitrov on the Verge of Chaos"]

[Text] [Yolova] Tension around the borders and within the country alarmingly remind one of the unsolved national question and of our national security. The conference in Khaskovo, organized by the Rakovski legion was on this subject. Is there any forecast of a clear national doctrine?

[Dimitrov] One of the strongholds of national policy are the Armed Forces. This is especially so for a small country with unsolved national problems found on geographic crossroads. I was impressed by the competence, responsibility, and commitment with which the young officers debated. The strong participation by the government represented by Prime Minister Popov and Mr. Danov, minister of internal affairs, is a good omen.

The inconsistencies in national policy should not be justified by the situation in Bulgaria and with the formation of new structures, ideas, concepts, programs... In other areas errors, bias, and omissions may be correctable but in national policy they would be fatal. A lot is being said, but nothing is done. We hear about consensus. It is difficult and also unnecessary to reach it in the economy, but it is mandatory in national policy.

[Yolova] It seems that squabbles between parties have pushed back the national question at this important time. The Armed Forces remember it. Were you bothered by anything during the discussions?

[Dimitrov] The conference rather made me think of some things. Armed forces intervention in our history has not promoted the development of democracy nor the strengthening of the country. Political forces or individuals have turned to the military when they could not hope to reach their goals in a democratic way. And in the end, those goals for which violence was used failed.

The general atmosphere in our life and democratization could not leave the Armed Forces out. It is important not to forget the lessons from our historical burden.

[Yolova] Internal chaos frequently propels the solution of some important issues regarding national security to the border regions, and this is accomplished by pressure from the street. Are you worried about that?

[Dimitrov] Border regions are the most sensitive. The people living in some of them do not consider themselves Bulgarian and are subject to intentional manipulations from abroad. The consequences of inconsistent national policy, of the pressure to declare Bulgarians as Macedonians, of the indifference and inaction regarding further erosion of national consciousness by Turkification, and of the violence which accompanied the "revival" process, are felt strongest in Pirin Macedonia, the Smolyan region, and the Kurdzhali region. "Internationalist" politics reinforced Turkish nationalism; the venturesome change of names also had the same consequences. The failures of national policy are now used in insidious activities against Bulgarian national interests. The four years of the "revival" process are not only about the attitude toward Bulgarian Turks. Coercion was characteristic of the system itself and was practiced on everyone, on the nation as a whole during the defeat of the opposition, during the time of collectivization, and so on. Bulgaria is presented to the world as a country where forced assimilation is a continuous practice. The truth is that such assimilation has been practiced by many other countries, and that the victim has been the

Bulgarian people: during the time of the Turkish domination, and later in Bulgarian territories remaining under foreign rule. This, naturally, does not make it right for us to use violence against others.

[Yolova] The powder keg again reminds us of itself. We were reminded of this somewhat forgotten definition by a statement made in Romania (was it just a mistake in translation?), and the war situation in Yugoslavia... Can we become the notorious stabilizing factor if we are on quicksand ourselves?

[Dimitrov] The definition of the Balkans as a "powder keg" is not correct. It is not Balkan nationalism that created and continues to create a threat for Europe but it is Europe with the Berlin Congress, with the Versailles system that created an explosive and dangerous situation here. Regarding Bulgaria's stabilizing role, it depends, above all, on internal stabilization if the processes of corruption, disunity, and dissent are stopped. It became clear again in Khaskovo just how little we think and do to bridge the gap with the people who do not consider themselves of Bulgarian nationality. How can we convince them that separatist ideas and activities are disastrous not only for Bulgaria, but also for them; that the way of disunity is dangerous, that it is important for the country to be powerful and strong to establish relations of mutual trust and understanding. Only under such conditions will they be able to find solutions to their specific interests in an easier way, as part of the whole, with the trust of the majority, and not by isolation, separation, and dissent.

The national question (unlike in the recent past) is within Bulgaria's borders and not outside it. Our great duty is to preserve the state safeguarded by and inherited from our forefathers. I do not think that Turkey intends to invade us at this time. But the tendency of antinationalist forces is to, in fact, place entire territories of the country outside state control. If they accomplish this, their separation from Bulgaria depends only on international intentions.

We frequently find the absence of a clear national line. Who needed declarations for Yugoslavia's unity while its people revolted for independence? The main thing is not what is needed by higher world politics, but what is defended by the people. We are worried about Macedonia's future. It will not be helpful to defend the Comintern's concept, which Tito was implementing. Our position can be one: The future is to be decided by Macedonians and is not to be determined from the outside. Naturally, we would want to see the anti-Bulgarian campaign ended at last and everyone who considers himself Bulgarian to have the right to express it. I feel twinges of guilt because when Warsaw Pact tanks entered Prague, the Bulgarian intelligentsia did not find the strength to express sympathy. But even now, when they entered Lyublyana, there was no spontaneous reaction. Are we always going to conform to someone else, before with Soviet, now with American policy?

[Yolova] What prospects do you, as a historian, see in the Greek proposal to establish "a demilitarized zone of the Balkans in sensitive areas?"

[Dimitrov] I see in this proposal a definite and real step toward decreasing tension in the Balkans. Commitment through declarations and global programs only are not sufficient here. But, of course, diplomacy is not my forte.

[Yolova] We have been on the road toward Europe for more than a year now. Are we getting near it? Are we following the logic of traditions, historical experience, and the lessons from our mistakes?

[Dimitrov] I think we are getting near. The process has started and I hope this time it is irreversible. But national egoism, state interests exist. Other nations have reached levels from which no one would give up even the least.

We were encouraged to tear down the iron curtain. When this happened, we were showered with conditions: It turns out we need to mature for the distinction of being admitted to the European family. At the time we are most inclined toward Europe, they started pushing us toward Asia. The road through the Bosphorus which they recommended us is historically a symbol of regression and tyranny for us... But steps to bring us closer are being taken in culture, the economy. It remains to realize that they need to be more confident and simultaneous from both directions so we may come together.

### Liberalism as Guide for Opposition Parties

91BA0970A Sofia VEK 21 in Bulgarian 24 Jul 91 p 2

[Article by Asparukh Panov: "Liberalism as Political Behavior"]

[Text] 3 Jul—It is hardly necessary to prove that a liberal ideology is the most democratic and most understandable alternative to the communist doctrine which destroys the individual. It is no accident that the liberal principles of freedom of the individual and the expression of this freedom are being so warmly welcomed in all former communist countries in Central and East Europe. The development of events in East Germany, Hungary, Czechoslovakia, and Poland unequivocally proves that any variant of social ideology, even of the modern Western type, is not only undesirable but even contraindicated at first following the removal of the communists from power. The initial steps of the economic reform in our country and the way of thinking of the SDS [Union of Democratic Forces] ministers also allow us to hope that after the SDS victory in the forthcoming elections the liberal principles of a market economy will be introduced in our country as well.

However, the future of political liberalism appears more complex and less clear. The infantilism of today's Bulgarian political life indicates that many among the newly-hatched politicians tend to speculate with attractive liberal and neoliberal ideas and to use them for

questionable political purposes. All sorts of big and small parties, movements, and organizations (more than 10 already) label themselves liberal while ignoring the main thing: The fact that the yardstick of liberalism is not the label of political behavior. That is why the ideology of a party is assessed not from the inside but from the outside. The word combinations used by a party leader do not matter; what matters is the way he reacts to a political situation and the way his party is rated not only at home but also in countries which have democratic roots and liberal traditions.

No one is naive enough to believe in the liberalism of the leader of a liberal party who stood shoulder to shoulder at a red-sponsored meeting with the criminals Lilov and Lukanov. The existence of such parties is a mockery of the ideals of liberalism and the peak of communist unscrupulousness and political cynicism.

It is equally difficult to accept the flirtation with liberalism on the part of the leadership of the Green Party and the nonexistent Ekoglasnost Political Club which, with comical inconsistency, fluctuate between social democracy and social communism. For example, the political behavior of Georgi Avramov is undemocratic even from the viewpoint of Filip Bokov's orthodox socialism. I would assume that even Dr. Dertliev does not consider as serious the efforts of some 20 "isolated politicians" to create some kind of "liberal platform." Naturally, "Green liberals" do exist. However, they neither are nor could they be in parliament. They should be sought either in a new Green Party or among its authoritative personalities who restored the prestige of Ekoglasnost.

It is perhaps the favorites of the president of the Federation of Clubs for Democracy who are the closest to classical liberalism. Unfortunately, supporting purely centrist positions at this political time is a compromise followed by a number of question marks. When the entire society is being pulled to the left by the communists, in the direction of dooming social ideologies, and by social democrats who accept the ideas of the Fatherland Front, we should throw out full support to the other side of the scale, if indeed one cares for a change in the system. What kind of liberal could support, on the one hand, the political principles of the SDS national movement and, on the other, accept a constitution of democratic socialism. Petko Simeonov convinced us in his "Panorama" program on television how distant he is from liberalism. He gave a classical demonstration of cheap populism of the social democratic type.

For a number of years liberalism has been the unfulfilled dream of the BZNS [Bulgarian National Agrarian Union] as well. Indeed, what was there in common between liberalism and the political behavior of the orange-hued agrarians throughout all those years? With their criminal participation in the communist dictatorship they were as close to liberalism as the BCP [Bulgarian Communist Party] was to the social democrats. Naturally, today everyone is trying to write for himself a

new political biography and adopt a new approach to the problems of the developing political pluralism. The future alone will show the development of the ideology of the orange-colored BZNS and whether it will be able to continue its independent existence. However, people who by the end of the 20th century still maintain that the Stamboliyski government was the most democratic period in our recent history would have a difficult time turning into liberals.

Among the remaining organizations which are aspiring toward liberalism, the most developed and influential are those of the ASP [Alternate Socialist Party] and the SSD [Union of Free Democrats]. I pay my respects to the firm and uncompromising anticommunist line followed by our ASP friends. However, the combination of "social-liberal" with "alternative" is, to say the least, not serious. The Union of Free Democrats rallies the forum of the free democrats with the Party of the Free Democrats, centered in Stara Zagora, which publishes the popular newspaper CHERNIYAT DEN, and a serious and intelligent group engaged in studies and projections, making them an organization with a clearly expressed identity.

The Liberal Congress Party also deserves serious attention. This party, which seceded from the BSDP [Bulgarian Social Democratic Party] and went through the stage of "social democrats who are not Marxists," is increasingly refining its ideology. Its plans for an increasingly closer interaction with the DPS [Movement for Rights and Freedoms] will lead to a drastic increase of its role in Bulgarian political life. Among the remaining liberal groups outside the SDS we must give their proper due to the parties within the liberal union: the Party of Freedom and Progress and the Liberal Democratic Party. Unfortunately, other than their intelligent and well-balanced leaderships, they do not have a sufficient number of members and a national structure. Naturally, the future lies ahead of them. The choice of allies and their political behavior in the forthcoming elections will determine their subsequent fate.

Recently, yet another supporter of liberal democracy came into being: the Constitutional Forum. It has great ambitions, and has expanded quickly in a strange way; it has an intelligent but questionably variegated membership and makes occasionally conflicting and nonliberal statements on the national problem. That is what we know for the time being about this organization. Its political behavior in the near future will enable us to gauge its liberalism.

Obviously, the range of parties and movements which are leaning toward liberalism is quite multicolored and conflicting. Unquestionably, however, it is the Radical Democratic Party that holds the main place among the liberal parties. Guided by the creative principle of individualism, in no more than 18 months we created a party of individuals numbering about 140 local organizations, with a Federation of Youth Radical Democratic Clubs,

the Grazhdanin Society for the Dissemination of Knowledge, and interest clubs such as Vuzrodena Kultura, Liberalna Durzhava, and Andrey Sakharov, as well as the most serious opposition publications, such as VEK 21. Without compromising our commitment to changing the political and economic system, our liberal program for developing a free civil society and our strong parliamentary presence gave us a deserved political reputation. It was no accident that the radical democrats headed two of the most important parliamentary commissions—the legislative (Aleksandur Dzherov) and the science and education (Elka Konstantinova)—and were elected speakers for the SDS parliamentary group (Aleksandur Yordanov) and for the National Coordination Council of the SDS (Mikhail Nedelchev). The Radical Democratic Party also supports active international contacts. It participates in prestigious meetings and fora. The Friedrich Naumann Liberal Policy Foundation is our steady partner; at the beginning of March we were granted observer membership status by the Liberal International.

The influence of the Radical Democratic Party has greatly increased in recent months. This is the result not of our self-assessment but of our real place in Bulgarian political life. Withdrawing from the parliament after it had become a threat to democracy, a authoritarian criticism of the pseudodemocratic constitutional draft, and, above all, participation in the moral cleansing of the SDS as one of its inspirers, are typical examples of the consistency of our liberal political behavior. Let us recall the tremendous contribution of the Free German democrats to the current events in Europe. It was they who, in the past, broke up their coalition with the social democrats and thus played a decisive role in the placing of American missiles on German territory. This was a decision which accelerated by decades the breakdown of the socialist system. Time will prove that we too were right. It is only the uncompromising opposition to a scenario of perestroika and the drafted nondemocratic constitution and nothing but quick parliamentary elections that will ensure a final break with leftist illusions in Bulgaria. At the present fatal political times of all kinds of attempts to divide the democratic opposition, there can be no criterion for a liberal political behavior other than support of the ideas and objectives of the SDS and the principle of personal rather than party-based choice of candidates for parliamentary elections. The place of anyone who feels that he is a liberal, in his heart and political mind, regardless of the party of which he is a member, is now in the united anticommunist opposition, within and with the SDS.

P.S. The dramatic events surrounding and following the signing of the constitution confirmed the analysis made in this article. The cynical statements made by Petko Simeonov and Aleksandur Karakachanov on the radio and television, and the presumption of Petur Staykov regarding a degrading constitutional oath and the psychopathic struggle waged by Georgi Avramov against freedom of speech and the press, are only a few of the

most indicative examples of a nonliberal political behavior. At the same time, all liberal groups within the Svoboda Coalition for a Turnovo Constitution supported the idea of holding a constitutional referendum. Obviously, matters are gradually getting clearer and everything will fall in its proper place during the electoral campaign. In all likelihood many of the voters still do not understand the nature of liberal democracy. However, hardly anyone would confuse liberalism with "democratic socialism."

### Liberty and Progress Party Leader on Price Reform

91BA1022A Sofia VEK 21 in Bulgarian 7 Aug 91 p 2

[Article by Ivan Georgiev, chairman Liberty and Progress Party: "Liberalism Does Not Mean Liberalization of Prices"]

[Text] The reason I am writing these lines is the article published in VEK 21 by Mr. Asparukh Panov, whom I highly respect, titled "Liberalism as Political Behavior." I do not oppose Mr. Panov, because I agree with many of his views in principle. I would rather like to add or clarify some moments of the popularization of the liberal idea in political life from the end of 1989 to present. I would like to believe that the absence of some facts and realities in the article were imposed by the author's inability to present them in such material, and not for any other reasons.

Without pretending to be complete, I present my viewpoint, influenced, naturally, by my partiality for the Liberty and Progress Party (PSP). It is a party about which Mr. Panov says few, but good words. I am grateful that he foresees a good future for it. But his article contains one condition (or lesson) for our party that has to do with our future development depending on our behavior in the upcoming elections. The premise is correct in principle, but I do not like the patronizing tone frequently present in the words, as well as the behavior of some (fortunately few) of the RDP [Radical Democratic Party] leadership members. I think Mr. Panov misses a more important moment in defining our party's behavior. It is its position in the political life in Bulgaria after 10 November 1989. I note this date, because the supporters of the Liberty and Progress Party do not consider themselves as direct successors of any of the parties in Bulgaria that existed after the liberation from the Turkish domination. On one hand, this prevents us from enjoying positive historical dividends, but on the other hand, we are free from the responsibility for the numerous gross political and other errors committed by existing parties in the past.

It is natural for us to seek our place in Bulgarian political life, and at the same time emphasize our affinity for the ideas of liberalism, and to seek cooperation with similar organizations. The creation of the Liberal Union and the

Svoboda [Liberty] Turnovo Constitution Coalition can be considered as a direct result of our drive to popularize these ideas.

PSP is a new and young party which preaches the principles of contemporary liberalism integrated in the decisions and activities of the Liberal International which was created in Oxford in 1947. Let us remember that this formation emerged after World War II as an objective need, and the events following it proved it was right. The Liberal International, at this time, unifies over 98 parties from all over the world. In almost all economically developed countries, liberalism is in coalition with similar political groups and has a leading role in these coalitions.

The first national conference of the PSP took place on 4 February 1990. This is when its program, directed toward the creation of a society of free individuals who are able to develop in an environment of minimal limitations, was adopted. According to the PSP program, normal society must be organized in an effective parliamentary democracy, be open to the world and everyone in the spirit of freedom, economic liberalism, mutual tolerance, and progress.

Of course, those are the general goals which exist in the program documents of almost all liberal parties in Europe that are members of the Liberal International. Since PSP truly realizes its lack of political experience, it seeks cooperation with a number of Bulgarian and foreign parties and organizations with liberal tendencies. This means patience, knowledge, clarification of concepts, and taking into consideration contemporary political and economic conditions. We are helped in this respect by the liberal parties and organizations with which we cooperate, and by the RDP. Representatives of PSP and RDP participated together even in seminars organized abroad. The PSP representative spoke in the name of Bulgarian liberals at the last Liberal International congress in Helsinki.

Unlike a number of Bulgarian parties with liberal tendencies which declare themselves the only ones (more specifically this is done by their leaderships), PSP accepts the idea of cooperation and reciprocity with everyone interested in the triumph of liberalism in Bulgaria. In this respect, RDP is one of the fundamental political organizations with which our party can work to unite the liberal-minded people in our country.

The next Liberal International congress, to which we have been invited, will take place on 6 and 7 September in Lucerne. I propose for my respected friend, Mrs. Elka Konstantinova, RDP Chairman, to present our positions in the name of the Bulgarian liberals.

By asking for forgiveness for this digression, I would like to express disagreement with Mr. Panov's optimism regarding the economic activities of the UDF [Union of Democratic Forces] ministers. No one is denying the future of market economy. The liberal principles of market economy are imposed without alternative in the

countries of Western Europe. But the past activities of our ministers cannot identify with those principles. An attempt was made, intentionally or not, to link the concept of liberalism with "liberalization" of prices, that is, with their sharp increase. Economic activities are a debatable and broad topic and this is why I will not dwell on this issue.

Mr. Panov hints about another moment, but without analyzing the causes. This is the reorientation of various leaders and organizations toward liberal principles, especially in the beginning of this year. It is interesting to find out what the reason for this change toward liberal positions is in such a short period of communist and social democratic ideologies? If it is based on conviction and acceptance of liberalism, I would welcome such metamorphosis. But rather, I see here danger of liberalism inflation by the invasion of antiliberal political behavior exhibited by pseudoliberal parties, organizations and individuals.

Naturally, I am not in a position to examine in detail, within the limits of a newspaper article, all the underwater rocks which could appear in the path of contemporary liberalism's current. I would rather like to remind us of their existence, since they could slow down the process and hamper free initiative. And regarding the clearing of liberal waters, we seek and need the cooperation of Radical Democracy with which we have many similar goals. In this spirit, I wish the upcoming RDP congress success.

#### BSDP Letter to Socialist International

91BA1041A Sofia SVOBODEN NAROD in Bulgarian  
21 Aug 91 pp 1-2

[Letter from the Executive Bureau of the Bulgarian Social Democratic Party to the Socialist International dated Sofia, 19 August: "Letter to the Socialist International"]

[Text] Dear friends:

The development of the political situation in Bulgaria is entering a new phase. The democratic process is slipping. There is a real danger of failure in our efforts to achieve a peaceful and democratic transition. Our fears are heightened by the 19 August military coup in the USSR.

Today Bulgaria finds itself in a particularly difficult position. The monetary aspect of the economic reform not only failed to stabilize the economic situation but led to a drop in production and is threatening us with economic catastrophe. The living standard is continuing to decline. The social tension in the country is rising, and so is mistrust of the new democratic institutions set up by the authorities. The latter, in turn, are hindered in their functioning both by the lack of a legal base as well as the continuing excessive politicizing and political intolerance.

The country is in a state of virtual lack of government, something which could lead to chaos and anarchy. The BSP [Bulgarian Socialist Party], which won the absolute parliamentary majority, proved itself unable to exercise the power. The actions of its representatives are aimed exclusively at protecting their own positions and narrow party interests. With its overall behavior, the BSP is demonstrating a clear unwillingness to assume responsibility for leading the country out of the crisis.

The Bulgarian opposition proved unable to unite its efforts in order to attain its common objectives. For over five months it has been involved exclusively in a struggle for supremacy, waged among the various groups within the SDS [Union of Democratic Forces]. The purpose of this struggle is the internal reapportionment of the opposition electorate. The means through which this objective is being pursued are several. The small organizations within the SDS, which have no possibility of properly existing outside the alliance, have started to classify themselves as "right wing" in opposition to the "left-wing" BSP. The result was the creation of a "right-wing bloc" within the SDS. These forces want to profit from the impatience and the inclination to engage in extreme nonparliamentary actions by the supporters of the opposition. Their unifying ideological center is their extreme anti-communism without, however, their ability to offer any kind of prescriptions for truly coming out of the crisis. As a reaction to this, subsequently the creation of a liberal SDS platform was announced, along with that of the SDS-center, which includes the two largest parties within the coalition: the BSDP [Bulgarian Social Democratic Party] and the Nikola Petkov BZNS [Bulgarian National Agrarian Union]. The right-wing bloc gradually declared as its main opponent not the BSP but its previous partners within the SDS. Having organized themselves as the "right wing," the small parties obtained an automatic majority in making important decisions, granted by the supreme coalition authority—the National Coordination Council—using their status, which grants each party, regardless of the size of the membership, the right to a single vote.

The SDS national conference was held on 19 May 1991. At the conference, the right-wing leadership tried to convert the coalition into a single centralized party. The attempt failed because of the categorical views held by the parties supporting a liberal platform, the BSDP, and the Nikola Petkov BZNS, which refused to accept resolutions which the automatic right-wing majority declared to be mandatory. As a result of this conference, the SDS was split. Dr. onstantin Trenchev, the leader of the Podkrepia Trade Union Confederation, was and remains the ideologue of this split.

These events were followed by preparations for the division and virtual elimination of all parties and organizations which rejected the attempt at diktat and at being fused within the so-called National Movement-SDS. Through illegally convened conferences and congresses, exclusively attended by supporters of the National Movement-SDS, parallel organizations were

set up. The SDS National Coordination Council was entirely taken over by the so-called National Movement and hastened to legitimize the "new" leaderships, having already discarded the "disobedient ones."

The BSDP was no exception. On behalf of a self-appointed "Initiative Committee," actively assisted and financed by the NKS [National Coordination Council] of the SDS and the leadership of the Podkrepia KT [Labor Confederation], the holding of an extraordinary congress was announced. The congress was held on 17 and 18 August 1991 in absolute violation of the stipulations of the BSDP bylaws. It was attended by 307 people, most of whom were not delegated by their organizations; some of those present were not even BSDP members. At that meeting "new" leading authorities were elected, who, according to the familiar SDS National Coordination Council scenario, were acknowledged by the latter as legitimate, as early as 19 August.

We assess this action as the latest attempt at breaking up the organizational structures of the party and its virtual elimination. The most interested party in such an outcome is the BSP to whose future the BSDP, which is gathering strength and influence, is the main threat. A number of facts lead us to believe that this latest blow at the Bulgarian social democratic movement involves the participation of the former Communist Party. At the same time, we must note that the style of the secret services is seen particularly clearly in the action of breaking up the BSDP; their most trusted weapon is Trenchev, the "trade unionist."

We are expecting that the creators of the "new" BSDP will try to discredit the leadership which was legally elected at the 38th congress, and which enjoys the support of the tremendous majority of the local organizations and the Socialist International and its member parties. Particularly active in this respect, most likely, will be the efforts of Mr. Stefan Tabakov, the former BSDP representative abroad, who was elected deputy chairman of the "new" leadership. This leadership already has the support of the SDS National Coordination Council and, personally, its chairman Filip Dimitrov.

In conclusion, we would like to assure you that such actions will be unable to prevent the development of the Bulgarian social democratic movement. In this case it is a question not of a split within the BSDP but of the pursuit of personal ambitions by individuals who have nothing in common with the social democratic ideas. We note with satisfaction that the rude attempts at routing the BSDP had the opposite effect. At the same time, we clearly realize that we are facing major trials in the course of which we shall rely on your fraternal support.

Please accept our most sincere greetings.

**National Security Depends on Defense Industry**  
*91BA0952A Sofia TRUD in Bulgarian 23 Jul 91 pp 1, 3*

[Article by Damyan Obreshkov: "Bulgaria's National Security Is Based on Military Industry"]

[Text] Let us not slaughter the cow whose milk we live on. We have available the strategic possibility of becoming a bridge between the present Eastern and Western military markets—the elite of our country that can help the country extricate itself from the general crisis.

Bulgaria's military industry is an area that we know very little about. And what we do know proves to be a distorted picture, formed from unauthorized scribblings, from rumors and leaks. The propaganda hullabaloo surrounding "Kinteks" conducted fogginess; at the same time, true and false information contributed to a negative attitude toward this specialized sector that, in its technological level and with its capacity and its personnel potential, is the authentic elite of our national industry and a pillar of our national security.

The truth is that by disregarding the international rules of the game in the arms trade our country created a socialist mafia, veiled in secrecy, regarding which, even now, one can hardly ascertain where its control began and where it left off. It is precisely for this reason that we have several billion dollars of unpaid-for military deliveries to collect for. If this had been done according to the accepted international rules, we would go to the banks concerned, we would have recourse to arbitrage at The Hague. But do you dare to stand before these prestigious institutions when you operated through the back door?

Yet for all this, however lamentable this truth may be, it does not remotely tell everything about our military-industrial complex. Recently American, Japanese, and Swiss specialists were in our country and they were greatly surprised by our large military-industrial capacities, by the relatively good quality of the arms and equipment produced, by the professionalism of the personnel in this area, and by the high technological level of production. The opinion was categorically expressed that the potential thus created should be preserved, modernized, and utilized in the national interest. But more of this further on.

Our military production represents a comparatively independent, autonomous system—economic and industrial, self-sufficient. It has its own scientific potential, its own research and development elements, its own specialized trade and marketing organizations. Within the former Warsaw Pact, Bulgarian military industry held a monopoly in 18 groups of products and was specialized in another 24. We produced ammunition from 7.62 to 152 mm, ground-to-ground and surface-to-air missiles, antitank missiles, small arms (the universally recognized "Kalashnikov"), armored carriers, and optical and laser systems. In the Warsaw Pact Bulgaria led in the production of communications-and-control,

radar and radio-navigation systems, USW equipment, and chemical and radiation monitoring systems. We have reliable military and specialized instrument-making capacities.

Many know or have heard something about the modern military plants at Sopot and Kazanluk. But few are familiar with the huge multipurpose prime-mover plant in Cherven Bryag. Or with the ultramodern production process of the plant in the city of Gotse Delchev turning out USW radios with their rapid returning capabilities. In these and many other military plants about 100,000 people are employed—the best specialists and the most highly skilled craftsmen, embodying—to a significant extent—continuity and the next generation. We can judge our military industry's capabilities by its great contribution to the country's hard currency supply—during the past five years the state has received billions of dollars from it. In this respect it has always ranked second or third, and sometimes even first.

Our military plants work with great precision; "military acceptance" tolerates only high-quality products (a "Kalashnikov" is tested in water, sand, and mud, and 15,000 trouble-free shots are required). The pay structure dovetails with the interests of the employees in production.

With the disintegration of the Warsaw Pact and under the conditions of our general economic crisis, all this potential was faced with a huge question mark. Assured and contractual markets ceased to exist, a number of plants were closed, and others are operating at reduced capacity.

What next? There will be conversion, of course. And it is under way. Even though after a few diversions a radically new conversion program is being elaborated that will soon be submitted to the Council of Ministers. It is imperative to understand that conversion cannot be an end in itself and that a far-sighted national expediency presupposes, in broad outlines, the preservation of our military-industrial potential. It is thought that, as a rule, it can be characterized as convertible. Opportunities are being sought for subcontracting with foreign firms in order to make the transition. In practice this means that the readjustment to civilian production is based on the selfsame purpose of the military plants.

Some of our military plants have managed to perform their new conversion functions. At Kazanluk they have mastered the production of an automatic sausage line. At Sopot they are starting up a whole range of agricultural machinery. At Cherven Bryag opportunities are being sought for cooperation with foreign firms in order to change over to making the small tractors so necessary for future private agriculture. At the same time, the foreign specialists, to whom I have already referred, were amazed to see dunki [full-bottomed, tight-legged breeches] being sewn at a military plant, despite the availability of testing equipment, proving grounds, personnel, etc.

The upshot is that there will be conversion in our country, but it will be reasonable conversion, without diversions that would undermine the valuable potential. There will also be partial privatization, more particularly in the existing plants, for example, plants producing spectacles and storage batteries at Nikopol and tents at Trun.

What is essential—the main thing—in future strategy is that our military industry should be restructured, should gradually make a transition to new technologies and acquire new markets. Hence, it should be preserved, developed and strengthened both as a guarantee of our national independence and also as an economically efficient entity with an important role in the recovery of Bulgaria's economy. "To permit the disintegration of the military industry and the closing of military plants is tantamount to suicide," says Maj. Gen. Stoyan Andreev, adviser to the president of the Republic. In other words, as he puts it, "We must not kill the cow whose milk we live on." In his opinion, realistic conditions exist for this strategic sector to extricate itself from its difficult circumstances and become a national mainstay.

In order to embark upon a radical solution of the accumulated problems in accordance with the idea of President Zhelyu Zhelev and Deputy Chairman of the Council of Ministers Dimitur Ludzhiev, a governmental commission for regulation of arms production and the arms trade has been created. In it there will be established special expert groups on design, production, trade, and other strategic activities. One of the first concerns will be to expunge all the old stains on the arms trade. This will be done primarily by the categorical adoption of international rules, which will be enforced by the developed and civilized countries.

Hierarchically centralized management has been abolished. Dozens of independent state firms have been set up with no "brass hat" over them. But it is today, not tomorrow, that these firms need government support. In recent years 2.6 billion leva have been spent to ensure mobilization of the country's resources. And suddenly these investments are piling up on them as obligations at today's rates of interest. But this purely and simply means condemnation to certain bankruptcy. Common sense and national expediency dictate that the obligation in question should be subsumed as a state debt and the firms receive a free hand for efficient operation.

The key to the preservation and development of our military industry lies in ensuring international cooperation of both the West and the East. Military-industrial cooperation with our former Warsaw Pact partners must not collapse. But at the same time, broad cooperation with Western partners must be established in order to make the transition to new technologies. The visit of NATO Secretary General Manfred Woerner to our country and the joint declaration by him and our president suggest a favorable attitude and readiness on the part of the greatest producers of the most modern arms and military equipment to help us. There is also the

matter of our getting into joint research efforts and joint businesses, plus the matter of solid profits for us. There is the matter of Western partners' entering our markets and our being admitted to theirs. And there is a more important matter—the creation of a real opportunity for Bulgaria to become a bridge between the present Eastern and Western markets. This possibility may become one of the bridges of our national salvation and our future prosperity.

In final analysis, our national security depends directly on the stabilization of our military industry. It will hardly be a betrayal of military secrecy if we point out what strategic importance our production of antitank and antiaircraft systems, something in which we have specialized, would have in the event—God forbid!—of a military clash. Its modernization and improvement could significantly compensate for the small numbers of our Army. This will be an army in fighting trim, not for attack, but for defense.

To be sure, our military-industrial firms will operate on the principles of the market economy, and they are capable of readjusting to the undulations of the market mechanisms and of displaying market flexibility. But for them our entire society must manifest the highest concern and responsibility. It is intolerable that the military industry should become an arena for politicization, for political infighting. Here the national interests and national security should have supremacy. Everything else is playing with a fire that can burn and consume us.

How is one to tell trade union figures that they should treat military plants with care? Here they demand the resignation of directors accused of bureaucratism and all earthly sins. These people are in a position to find work anywhere, for they are some of our greatest specialists. "Superspecialists," as Filip Filipov in the Council of Ministers puts it. They are offered unbelievable salaries in the West—thousands of dollars a month, while here they stay at a salary equal to \$50.00 to 60.00. Many of them have not received their salaries for several months. For they think this is moral, given a situation where some of the workers are on unpaid leave while others are working at reduced capacity with correspondingly reduced wages. And they want such people to retire. People who are making incredible efforts to save the work forces. How dearly such populist attitudes can cost us—attitudes that disregard the fact that in the military-industrial sector one can hardly find a manager who has not passed through all the stages of production and administration. That there is in effect here a natural system of personnel selection in which the incapable worker cannot thrive.

Let me make use again of General Andreev's words: The personnel in our military industry are highly professional and patriotic; they will extricate it from its difficult situation. Through readjustment to the market and modernization on the basis of international cooperation, it will be able to guarantee both our national security and also help extricate the country from the general crisis.

We have a vast national capital—let us preserve it, enhance it, and use it for the good of Bulgaria. It is a ray of light that will lead to a clearing up of our gloomy present-day realities and to a hope for deliverance.

### Privatization, Reprivatization Issue

91BA0987A *Sofia DELOVI SVYAT* in Bulgarian  
29 Jul 91 pp 1-2

[Article by Mariana Docheva: "What Came First: The Chicken or the Egg?"]

[Text] The personal interests of the politicians may support restitution, but the experience of other countries does not recommend it.

The battles for the constitution were followed by the haggling over the electoral system and the new law on local parliamentary and presidential elections.... However, this is nothing compared to the battle which will follow on the law on privatization. However much they reject it in their minds, at the beginning of August the deputies will be facing it and will have no way to retreat further. Since the electoral campaign will have already become part of our lives, the National Assembly also will have to take it into consideration.

What does this mean?

The least that it means is that the argument about the chicken and the egg will develop at full strength concerning the restitution (restoration of nationalized property within its old boundaries) and privatization. What comes first?

With a great deal of difficulty, the commission on economic policy formulated its draft law on privatization in which there is no place for arguments: It does not consider restitution; it only includes the stipulation that this will be the subject of another law. To those who are interested, however, this means, to say the least, that restitution will not be complete. They do not like this, hence the hurry to "introduce" a draft on the restoration of the big built-up of urban ownership. Its initiators were Gin'o Ganev and Aleksandur Dzherov. This was the main topic in the electoral speeches of Stefan Savov, the chairman of the Democratic Party. Restitution is also the favorite topic of Ilko Eskenazi and Georgi Markov....

What does restoration of property mean?

Large urban ownership includes nationalized housing which, according to rough estimates, applies to 50,000-60,000 apartment units. Today they have new owners, who are their "legitimate purchasers," and who have notarized titles of ownership which no court would dispute. In that case, how will they be expelled from their homes? By whose order?

The stores (or so most of them) are no longer the property of the state which had nationalized them. What about the factories, shops, mills, and workshops, 90 percent of which no longer exist in their previous state?

How to resolve the question of repairs, expansions, and retooling? What about the evaluation of the market positions held today by one enterprise or another? Who will provide it?

Again on the basis of rough estimates, today, at current prices, the value of nationalized property in our country amounts to about 50 billion leva. If we accept full compensation, this would mean that the entire state would have to work two or three years to meet these costs, for this amount accounts for 27-28 percent of our country's GNP.

If the demands for "paying for the lost benefits" sound stupid, it is because no one could prove that over the past 40 years the enterprise would not have gone bankrupt, at which point the "owner" would have had losses instead of profits....

The mass nationalization which took place years ago and, therefore, the question of restitution today, is a familiar problem in all East European countries. In not a single one of them, however, has there been an effort to restore ownership in its old dimensions. More specifically, such demands were heard in East Germany and a resolution was passed to this effect. However, after becoming "burned" by an avalanche of claims filed in court by the former owners, and after all potential investors withdrew, the idea was abandoned and, in that country as well, the principle of compensation was adopted.

It was only in Portugal, where mass nationalization took place some 15 years ago, that under the new circumstances the system of privatization was adopted without any compensation to the former owners. The adopted principle was that banks alone would be compensated and only up to the 30 percent level."

What are the possibilities in our country?

Privatization should be undertaken. In its first stage, the treasury should collect any income which is vitally necessary. In the second stage the "socially-oriented technique of privatization" will be enacted, i.e., free privatization bonds would be issued to Bulgarian citizens of legal age. Such bonds will also be issued to the former owners and their heirs. It is roughly at that stage that a system for compensating for the nationalized property would be applied. Whether this will be a 20-25-30 percent of today's (in current prices) assessment of the property will depend on the law which will be passed. However, this will also consist of investment bonds which will enable the people to participate in privatization, but at its second stage. Why not issue the bonds now, immediately? To say the least, because they would have no cover and would trigger a new inflationary wave, much stronger than the first which we already experienced; let us not mention that this will not bring any kind of revival or influx of capital in our economy.

Such a system of privatization and compensation to private owners is already being applied in Poland, Czechoslovakia, Hungary, and Germany. This approach was recommended to us by Western European and American experts and politicians. Not a single viewpoint supported restitution. Why is it that today, therefore, it has so many supporters among our politicians?

There are at least two answers to this question.

First, because the elections are approaching and, according to some estimates, three to four percent of the adult citizens in the country would greatly benefit from restitution. However, there are a number of heirs abroad, such as in the United States, and Western Europe and, particularly, in Israel. In that case we could consider as realistic the second figure which is being mentioned: 1.5 million owners and their heirs.

Second, who precisely supports the demand for restitution? The people with strong personal interest in this would simply acquire a solid property. This would include the property of Kimon Georgiev, the Dzherov family, the Georgi Markov inheritance, for instance. The Savov family also had quite a lot of property in Sofia and Vratsa. This question is also important in the case of Ilko Eskenazi, who is defending Jewish property in Bulgaria.

That is why, on the motion of Kiril Dunev, the deputies who are members of the Economic Commission of the National Assembly had supporters of the idea that the deputies declare whether they have any personal interest in restitution. Nonetheless, the plenary meeting will decide whether there will be restitution or compensation, and if so what kind.

### Provisions of Foreign Investment Law Discussed

91P20450A Sofia *SOFIA NEWS* in English  
19, 26 Jul 91

[Article in two installments by Polya Panova: "Foreign Investment Act"]

#### [19 Jul p 5]

[Text] The Foreign Investment Act (published in the Official Gazette No. 47 of 14 June 1991) regulates the terms and procedure whereby foreign persons may invest in the territory of Bulgaria, including the territorial sea, the continental shelf and the exclusive economic zone. For the purposes of the Act, "foreign person" means any juristic person or partnership without legal personality which has been registered and has its registered office abroad; any foreign national, irrespective of whether he has permanent residence in Bulgaria; and any Bulgarian national who is permanent resident abroad.

Foreign persons have a variety of legal ways to invest capital in Bulgaria. They could start a business independently or jointly with other foreign or local persons, they could buy or otherwise acquire a right to ownership of a business, they could extend their own business, they

could acquire shares or stakes in an existing business, they could grant a non-banking investment credit for a five-year or longer term, etc.

Whatever the legal form of foreign investment, the foreign persons are placed on an equal footing with the Bulgarian juristic and natural persons. The act enshrines the national regulations principle whereby Bulgarian law applies to foreign capital save as otherwise provided by special statute or international treaty. The equal treatment of foreign and Bulgarian investors presupposes reciprocal tolerance on the part of the state whose citizens or juristic persons are the foreign investors. In this sense, the provisions of the Foreign Investment Act may be decreed wholly or partially inapplicable to foreign persons whose countries of origin apply discriminatory measures against Bulgarian citizens and partnerships.

One essential advantage of the Act is the virtual lack of restrictions on the business activities in which foreign capital may be invested. In principle, any foreign persons may invest in any branch of the Bulgarian economy: industry, agriculture, transport, tourism, etc. They may form commercial partnerships: general partnerships, limited partnerships, joint-stock companies, limited liability companies, they may associate in cooperatives or operate as single merchants, i.e. they have the right to choose any legal form of business organization provided for local persons. Foreign persons may obtain farm land on lease, they may acquire the right to ownership or another real right on farm and other buildings, or they may invest their money in a long-term credit.

There is no restriction on the amount of investment, either. The Act does not set a ceiling on the foreign capital, nor does it fix the maximum proportion in which a foreign person may participate in an economic field. The only restriction concerns the minimum amount of investment which is set at U.S.\$50,000 or the equivalent in any other convertible currency, except for investment in the extension of the investor's own business.

The Act establishes very liberal registration regulations. Foreign investors register like local persons, following the statutory procedures for the respective form of business association. In principle, no permission from a government authority is required for foreign investment in Bulgaria. Foreign investors have simply to register with the competent state body: the Council of Ministers or an authority designated by it. A permit is required only in hypotheses explicitly listed in the Act: investment in the military industry, banking and insurance, in certain geographical areas which will be designated by the Council of Ministers, in particular branches and activities also designated by the Council of Ministers when a foreign stake in a partnership will give foreign investors control of the partnership, investment for the acquisition of ownership rights over real property, lease of agricultural land and woodland, investment in the exploitation of the territorial sea, the continental shelf and the exclusive economic zone.

Permits are issued by the Council of Ministers or a collective authority designated by it, acting upon an application which should enclose a feasibility study listing relevant data on essential particulars about the future business operation in this country's territory: technological and technical updating of production, manufacturing and marketing of new scientific and technological products, creation of new jobs, rehabilitation and conservation of the environment and other data detailed in the Act.

Permits are issued within 45 days of the date of application. A denial of an application has to be motivated and is incontestable. However, a new application may be filed if the offer is modified in line with the motivation of the denial.

[26 Jul p 5]

[Text] Laying down the principle of national regulations applicability to foreign investors in Bulgaria, the Act makes some special provisions which apply to them only and not to local persons. These provisions concern the acquisition and alienation of real rights over immovable property, the regulation of industrial and insurance relations and the procedure of transferring revenues and compensations abroad.

The foreign investment regulations provide for certain limits on the ownership of real rights over immovable property and the disposal of such rights. Even though foreign persons may acquire ownership rights and limited real rights over immovable property, they may not acquire, either independently or through participation in partnerships with local persons, ownership of land, sub-soil resources, forests and waters. This restriction applies to both agricultural and non-agricultural land. Foreign persons may only gain the right to use non-agricultural land for a limited term (70 years) if they need it to conduct their business.

The law lays down special terms for the sale of immovable property belonging to a foreign person in case his business is wound up. When he discontinues his business in Bulgaria, a foreign person is obliged to sell his immovable property or his limited rights over such property. Other things being equal, the Bulgarian partner in the joint venture is entitled to preferential treatment over other applicants to buy up the appurtenant real property or real rights thereto, and when there is no Bulgarian partner, this preference is extended to the Bulgarian State. This right, however, is exercised only if other things are equal with the other applicants of the same property. Otherwise, the foreign person's interests will be harmed.

A substantial legal guarantee in the real rights regulations of foreign investment arises from the principle, laid down in the law, according to which the price of the immovable property and real rights is freely negotiable between the parties to the conveyance on a market basis.

The Act provides for special protection of real rights in the event of compulsory purchase. It rules explicitly that "investments made by foreign persons shall be immune to confiscation or seizure under administrative process save as when the act shall be subject to judicial appeal." Foreign investment enjoys legal protection in all cases so as to prevent and foil administrative arbitrariness. Furthermore, real property belonging to foreign investors is immune to compulsory purchase save for important state purposes that cannot otherwise be satisfied. The compulsory purchase procedure itself contains special legal guarantees to safeguard the foreign investor's interests. Thus, a foreign investor is compensated for a compulsorily purchased investment by agreement. Should no agreement be reached, the type and amount of compensation is determined by the district court on a submission by the party in interest. The compensation may be pecuniary or in kind. As an important guarantee, the law requires that a pecuniary compensation for a compulsorily purchased property be paid immediately after the liability becomes claimable. If it is pecuniary, the compensation is freely transferable abroad. In addition, the foreign owner's interests are safeguarded in that the State may not take possession of a compulsorily purchased property prior to the full payment of the due compensation.

Employer-employee and insurance relations are freely regulated by a specific contract of employment between the foreign employer and the employee.

All employer and employee rights and duties are agreed by an individual contract of employment, even if the employee is a local person. Bulgarian legislation applies only in matters unregulated by the contract of employment. However, employees who are Bulgarian citizens must be mandatorily insured against all insurance risks under the terms of Bulgarian legislation. Besides this, all industrial disputes arising between a foreign employer and a Bulgarian employee fall within the compulsory jurisdiction of Bulgarian courts of law. The last two imperative requirements, however, do not apply to employees who are foreign citizens.

The law provides a number of legal facilities for the transfer of the profit, interest, dividend and other revenue derived from investment in Bulgaria. Foreign persons are free to remit such revenues abroad without restriction. The National Bank of Bulgaria converts Bulgarian leva into convertible currency along the central rate of exchange when the foreign investor takes out of the country a compensation for a compulsorily purchased investment, the portion of his liquidation quota to the extent of the original foreign-currency capital investment. In the rest of the cases, the revenues are converted through a purchase of currency along a market rate of exchange from any bank transacting such operations. Therefore, apart from freedom of transfer of investment revenue, the Act provides for privileges in the conversion of Bulgarian leva into the preferred foreign currency in two of the most important hypothesis

of reverse investment transfer. Both hypothesis are associated with a final winding up of a foreign investment in Bulgaria.

### Changing Prices for Soviet Natural Gas

91BA0967A Sofia *DELOVI SVYAT* in Bulgarian  
22 Jul 91 pp 1-2

[Article by Ivan J. Ivanov: "Bulgaria in the Deal With the 'Yamburg-Soviet Western Border'; The Price of the 'Geese' Is Distinguished by its Stability"]

[Text] Business people in the Bulgarian private, cooperative, and state sectors paid little attention to a suspicious stir concerning our country's share in participating in the "Yamburg-Western border of the USSR" gas pipeline. This hullabaloo, which broke out in the first days of July, bore the clear features of a clumsy approach in this "variation on the king's opening gambit" in the Balkan neopartisan chess game.

Unfortunately, we cannot neglect this story, ironically exclaiming "keep on playing, brothers!" Bulgarian interests were questioned.

Bulgaria's raw material-power balance is severely "distorted," leaning toward petroleum. The main reason for this, except for our scarcity of raw materials is simply waste. For decades we had no problem in procuring for ourselves raw materials, fuel, and energy from the former CEMA at quite convenient prices. While virtually all economies of the industrially developed countries undertook technological renovations which would lower the consumption of raw materials and energy in industry and agriculture immediately after the petroleum shocks at the start of the 1970's, we were telling ourselves, for 15 years, tales about the Great Revolution, pledging to start it and complete it in a week. When the mid-1980's came, we found ourselves in a situation in which four-fifths of our import requirements for raw material-fuel resources were being met by the East European countries; we imported from the USSR alone about three-quarters of what we needed. Petroleum remains the main item in our imports. Even last year, despite much worsened conditions, Bulgaria imported from the USSR 7,801,000 tons of petroleum, worth 710.4 million transferable rubles. If we had to buy all this on the world market in convertible currencies, at best we would have been able to purchase 4.4 million tons.

Natural gas is becoming a priority alternative for the Bulgarian economy, particularly if we take into consideration the inevitable future drop of electric power production, including the one generated by the nuclear power industry. No political force and no government would be able to accomplish something other than the "shifting" of the raw material-power balance toward new centers, away from petroleum while, on a parallel basis, a market and conditions are being created for the structural reorganization of the economy. Naturally, in some

circles other opinions may exist. In my view, they could be found in the nonscience fiction aspects of political economy.

The procurement of 7 billion cubic meters of natural gas from the Soviet Union is an urgent requirement for our country this year. As anyone who paid any attention in geography class would know, the USSR has the largest and most economically profitable European deposits of this ecologically pure power-chemical raw material. The other source is located in the Middle East.

Of late, Iran has shown an emphatic interest in the European natural gas markets. Bulgaria as well is engaged in talks which, God willing, may be concluded favorably for us. This, however, is a thing of the future. Currently Soviet natural gas in the Balkans alone is being used (and will continue to be used even more so in the future) by Turkey, Greece, and Yugoslavia. I cannot indicate ideological reasons for this fact, for no such reasons exist. In addition to the gas pipeline linking the USSR with the Republic of Bulgaria, as informed people know, there is another pipeline with a capacity for 10 billion cubic meters crossing our territory that goes to the other countries we mentioned.

However, with the expected price of \$90 per 1,000 cubic meters, 7 billion cubic meters face Bulgarian business with a rather difficult "foreign exchange problem." Yet we cannot forsake such deliveries. In addition to being insufficient, coal gas creates certain difficulties because of its undesirable components. Furthermore, reducing the consumption for fuel-energy needs, in as much as it is possible without triggering an extremely adverse social tension and another production decline, does not solve all problems. Natural gas is being used in the chemical industry quite extensively. It is the main raw material for companies such as Polikhim in Devnya, Khimko in Vratsa, Neokhim in Dimitrovgrad, Agrobiokhim in Stara Zagora, etc. To a large extent the price for such gas, paid in foreign exchange, predetermines the drastic prices in leva for the goods they produce. In the case of Agrobiokhim, for example, this is a price shock regarding nitrogen and liquid fertilizers used in agriculture, be it private, individual, cooperative or state, and another softer "blow" affecting the prices of some other commodities.

The two available economic instruments for mastering this difficult situation are the following: reaching an agreement according to which Bulgaria would obtain greater amounts of natural gas free of charge, in exchange for transit pipelines across our territory; and participation in agreements which would ensure for us as much as possible "blue cubic meters" of standard quality, at relatively advantageous prices and over a longer period of time and, if possible, without the need to sell so-called "foreign currency goods."

It is more than natural for the government, headed by Dimitur Popov, to have agreed to the extension of the accord on long-term cooperation in the development of

the Yamburg gas deposits, the construction of the "Yamburg-Western border of the USSR" gas pipeline, and related deliveries of natural gas from the Soviet Union to Bulgaria. The accord was signed in 1986 and, as a result of the conversion, as of 1 January 1991, to the new payment mechanisms between Bulgaria and the USSR, in March it became necessary for a group of specialists from the Ministry of Industry, Trade, and Services to analyze its economic expediency. The intergovernmental protocol, which will extend the effect of the accord, must be signed, on our side, by Atanas Paparizov, the minister of foreign economic relations. On 10 July he expressed his firm intention of doing this "in the next few days."

Major arguments, based on the study of the specific facts related to this accord, are added to the study of the long-term general economic prospects making such a decision necessary. The Soviet side supplied us with the stipulated volumes of natural gas for 1989 and 1990, a total of 1.5 billion cubic meters. It is also implementing the accord for this year, for 2.9 billion cubic meters. If we were to include in this equation the international price of this raw material, which is currently \$94 per 1,000 cubic meters, and the prices based on the agreement, which are 63.5 transferable rubles for the same quantity, our readers would acquire a precise idea of the advantage. The possibility appears of receiving, over a period of 20 years, more than 60 billion cubic meters of natural gas, some 20 billion of which will be guaranteed, based on our participation, in transferable rubles. Compared with liquid fuels, natural gas fetches a lower price on the international markets; 1,000 gigacalories of crude oil are worth \$13.5; the price of gas-oil is \$19.40; the price of natural gas is 11.90. This is a stable trend. Therefore, as long as we have suitably converted to a market economy and such an amount of money does not appear excessive

to us, starting with 1996 we would have, for yet another decade, 3.75 billion cubic meters of natural gas from Yamburg and the possibility of "escaping from petroleum" into a raw material which can be purchased for a bearable amount of dollars (and goods).

By the beginning of this year, our country had met its share of 1.42 transferable rubles, equaling 943 million. This implied deliveries of large-diameter pipes, monetary transfers and providing Bulgarian machinery, equipment and other goods and construction and installation work. We have to perform work worth about 460 million transferable rubles. Bulgaria borrowed \$429,267,412 from Western banks. Personally, it seems to me that this is one of the few cases of a sound investment.

Does this deal have some weak sides? It probably does. However, despite the entire artificiality of the central planning system, which prevailed in CEMA for decades, its fictitious coefficients, ossification, stagnation, lack of real market assessment of values, etc., we have no reasons to complain about this specific agreement. It would be very stupid to reject it. Actually, the other participants, including United Germany, which took over the interests of the former GDR, have already agreed to continue with this business. We are being sticky about something more than 13 billion leva in income (at the rate of 15 leva to the dollar)...

Whenever someone is trying to promote "reliable information" which, if checked, turns out to be rotten, in the jargon of journalism this is known as a "goose." Of late, Bulgarian politics has thrown around, here and there, a number of fat geese. This is one of them. Do we have a stable trend toward increasing the price of the "geese?"

**Details Sketchy on MSZOSZ Financial Scandal****Representative Comments on Rumors**

91CH0839A Budapest TALLOZO in Hungarian  
25 Jul 91 p 1,405

[Interview with Parliamentary Deputy Dr. Istvan Szigethy by Otto Szente: "Deputy Receives Mysterious Telephone Call"—article reprinted from ZALAI HIRLAP]

[Text] 19 July—In connection with the sale of trade union offices we have tried to gather information from several sources; still we cannot say that everything is now plain and clear.

Among others, we have contacted Dr. Istvan Szigethy, parliamentary deputy of the county seat and lawyer who had participated in the drafting of the trade union law, in order to lessen the number of unclear points. First he told us about a mysterious telephone call.

[Szigethy] Yesterday morning I was at the parliament office building when I received a phone call. First he asks for Ivan Peto, he is not in; then for Peter Hack, he is not in either. So he asks me who I am, and whether or not I could make sure the leadership of our parliamentary faction receives the information he needs to convey. Of course, I said. Then he went on to tell me about a meeting they had had the night before on how to salvage 16 very valuable properties from the list of trade union holdings before the trade union was passed. Present at that meeting were representatives of German, British, and Swedish syndicates with whom an agreement had been signed sometime during the night. We should not ask who he was and how he obtained this information, he said, but we were free to verify it. Well, our faction leaders concluded that since there was no way of telling whether or not this was a provocation, until it was confirmed it should not, under any circumstances, be brought up in parliament.

[Szente] What have you been able to find out, for I assume that you have looked further into the matter?

[Szigethy] I was totally surprised by the interview with Andras Barsony in ZALAI HIRLAP, for the information he gave completely coincided with what the caller had told me. In any case, the fact that the purchase agreement had been submitted to the Zalaegerszeg land office just one day before the vote in parliament seems most peculiar.

[Szente] The treasurer has claimed that the union was moving its holdings into a corporation, while according to the purchase agreement submitted to the land office, the properties were to be paid for in promissory notes. To me this is the most confusing part of this whole affair, for they either sell something or they don't; and if they have sold something, it is no longer theirs....

[Szigethy] You are right. There is an enormous difference between selling a piece of real estate and taking it with you into a corporation as your founding share. As a

lawyer I found the response published in ZALAI HIRLAP to be extremely confused and unclear. What is most peculiar of all is that the MSZOSZ [National Organization of Hungarian Trade Unions] seems to be convinced that it has the right to freely dispense with trade union property. They have based their determination of their ownership ratio on their membership records, but I do not think that we need to comment on how meaningful those records really are. As to the actual amount of support received by the MSZOSZ, it will become more clear after the elections prescribed in the newly adopted law.

[Szente] I have even heard a hypothesis according to which the use of promissory notes for payment and the provision in the agreement which allows the seller to unilaterally buy back the property make it possible to temporarily "hide" the real property in question. Once the storm settles, the original conditions can be reestablished. Do you think that it is conceivable that there might have been such a motive behind this deal?

[Szigethy] Everything is conceivable, including the possibility of cancelling a purchase agreement and restoring the original conditions. I do not believe, however, that on the basis of the limited information available we can make a clear assessment at this point. What is most peculiar here, I want to stress again, is that during the period when the transactions could have been examined and the information could have been presented in the parliamentary debate, nothing happened, and that the submission of the documents to the land office was timed for just before the vote on the draft law.

**MSZOSZ: Legal Transaction**

91CH0839B Budapest TALLOZO in Hungarian  
25 Jul 91 p 1,403

[Interview with Andras Barsony, treasurer of the National Federation of Hungarian Trade Unions, by O.Sz.: "The Transaction Is Legal"—article reprinted from ZALAI HIRLAP]

[Text] 17 Jul—In yesterday's issue we promised that we would also have some of the people involved comment on the scandal that broke in the wake of the sale of the Zalaegerszeg Trade Union Center. Dr. Jozsef Anti, secretary of the county organization, refused to comment on the matter, claiming that the decision had been made in Budapest and his people were only carrying out the technical tasks assigned to them by their employer, the MSZOSZ [National Organization of Hungarian Trade Unions]. So we went to see Andras Barsony, the treasurer of MSZOSZ.

[O.Sz.] Mr. Barsony, could you tell us what exactly happened here, and what had prompted this action?

[Barsony] The story goes back to March 1990, when our congress adopted a resolution calling for the establishment of a property management corporation using trade union funds, which could later be transformed into a bank and insurance company. The investigation by the

prosecutor's office conducted in the spring of this year into the legality of the original charter of the MSZOSZ and its resolutions pertaining to its holdings concluded that the said resolution was legal. After the property negotiations—among the trade unions—had reached an impasse, we decided to forge ahead and use the mandate of our membership to initiate negotiations aimed at implementing our congressional resolutions. The negotiations led to the signing of a syndicate agreement, which in several stages—and by the end of the year fully—will enable us to set up a trade union bank. Such an entity had existed in Hungary already before the war, and in the West there are similar institutions behind every respectable trade union. Broadening its scope of business activities, later it can expand into the insurance field. It is the cash contribution of the partners, on the one hand, and the real property holdings of the trade unions, on the other, that make up the financial basis of the enterprise. Since we had signed the syndicate agreement on 21 June, the next step was to finalize the purchase agreements connected with the establishment of the new company. In addition to our office in Zalaegerszeg, these included agreements concerning an additional 14 county offices and the MSZOSZ's central headquarters.

Now let me tell you to whom and over whose head we have sold these holdings. The key point to remember here is that all of these properties will be owned by a company that in turn is owned by the trade unions, a company that is capable of accepting cash deposits and thus meets the legal requirements governing the establishment of banks. There are several guarantees built into these agreements. Should the establishment of the bank fall through owing to whatever motive—political motive, that is, not professional ones—in that case the corporation—which I stress again is ours—will, without further obligation, sign these buildings back over to the direct ownership of the trade unions. The other element of guarantee is that the corporation cannot, without our expressed consent, sell anything on its own. So to whom does the headquarters building belong? It is not as simple as to say that any asset located within the county is the property of the county membership. The investments had been made centrally, and everyone understands, for example, that the Zalakaros resort could not have been built in Hortobagy. Still, our colleagues in Hortobagy have equal control over the money. Taking these buildings into the corporation as founder's share does not affect the trade unions' users rights to those facilities. No trade unions will find themselves outside the gates; in fact, conceivably there may be trade unions, not yet formed, that may someday also be able to move into those buildings. The same holds true for cultural institutions. How the cultural network itself will be financed, and how it will be operated in the future, is a different issue altogether.

[O.Sz.] According to the information that has been made public, the corporation intends to buy these office buildings, so there is the matter of purchase agreements....

[Barsony] For all intents and purposes it has indeed bought the office buildings, submitted the necessary papers for inclusion in the land registry, and in the appendices to the purchase agreement accepted the guarantees without which there could have been no agreement.

[O.Sz.] So the MSZOSZ intends to use the money collected from the sale of these buildings to join the corporation to be established?

[Barsony] In effect, yes; or more precisely, it will use the equivalent value.

[O.Sz.] What does this certain Frohburg Union do?

[Barsony] Frohburg is the corporation itself. The group of foreign investors on the other side, with whom we have signed the syndicate agreement, provides the money. The cash investment made by this latter group will exceed our own financial contributions in every instance. This means that if the value of the real property in question—including the county offices and the MSZOSZ headquarters—is worth a total of 1.9 billion forints, then their cash contribution will be 1.5 times that amount.

[O.Sz.] I fail to see how these office buildings turn into cash....

[Barsony] They do not have to turn into cash as the corporation can also accept contributions in kind.

[O.Sz.] That part I understand, but is it the Frohburg Union that will take these office buildings into the new corporation as its founding share?

[Barsony] What happens is that with the addition of cash the buildings also become capital assets.

[O.Sz.] But where will the cash come from?

[Barsony] From the commitments made in the syndicate agreement; i.e., from the groups of investors who have promised that if we brought the buildings, they would bring the cash.

[O.Sz.] In other words, this is not a purchase agreement that will—to take the case of the Zalaegerszeg office—put 95 million forints into the union treasury?

[Barsony] No, it is not. Nor do we want it to be, because we do not want to spend it.

[O.Sz.] But then this is not really a purchase agreement....

[Barsony] Strictly speaking, what we are talking about here is a contribution to the corporation's capital assets.

[O.Sz.] All of this was taking place at a time of heated battles over trade union property....

[Barsony] All I can tell you is that the agreement had been signed before the draft law was submitted to parliament.

[O.Sz.] How will what happened here affect possible redistributions of property in the future?

[Barsony] The answer is simple, because the amount involved does not reach the property ratio to which the member organizations of the MSZOSZ are entitled. On the basis of the membership list the MSZOSZ and its member organizations are entitled to 67 percent of the 4.7 billion forints worth of property they control, or to about 3 billion forints. In other words, we are investing only a fraction of our share of the property into this venture, and this investment will not impact negatively on the rightful share of any other organization. At the same time, there are built-in guarantees to ensure that both the League and the workers' council can stay in the Zalaegerszeg center.

[O.Sz.] How does the letter from the Ministry of Agriculture, halting new entrees into the land registry, affect your plans?

[Barsony] I would rather not comment on the letter from the Ministry of Agriculture. I can only tell you this: The transaction is legal. I should point out, incidentally, that the parliamentary decision is not retroactive; this means that it does not extend to agreements signed prior to its implementation. In other words, the county will obviously wait until the text of the law is published, whereupon it will have no other choice but to concede that everything was done legally, and that the law does not extend to this case. Obviously the Ministry of Agriculture will have to agree as soon as it takes a look at the wording of the law. If this is not what happens, then an unpleasant legal procedure will ensue, for conceivably the corporation will immediately sue the Hungarian Government for failing to act right away, which could result in serious losses. But I hope it will not come to this.

(I assume that our readers will agree with me when I say that it would take quite an intellect to figure out what exactly is going on here, and who own what in that certain corporation. In any case, we will continue to try to shed some light on this mystery.)

#### Hegedus: Nagy 'Criminal'

91CH0839C Budapest TALLOZO in Hungarian  
25 Jul 91 p 1,404

[Article including comments by Ferenc Hegedus, chief of the Hungarian Democratic Forum's Zala County office, and Peter Sebestyen, head of the Alliance of Free Democrats' Zalaegerszeg organization, by Csaba Pajor: "We Have the Proof Right in Our Hands"—article reprinted from ZALAI HIRLAP]

[Excerpt] [passage omitted] 18 July—Ferenc Hegedus, chief of the MDF's [Hungarian Democratic Forum] county office, did not mince his words and told us exactly what he thought:

"What happened here was a typical example of a blatant attempt to salvage power and property. On the basis of

what has transpired, I want to emphatically state—and I would like this to appear verbatim—that Sandor Nagy is a criminal who should be locked up in prison. They have taken their trade union office buildings and used them solely for the purpose of shady manipulations, as evidenced by the fact that throughout the entire transaction the buildings have been nothing more than promissory notes. There is a provision in the agreement which stipulates that if the buyer fails to fully remit the outstanding balance by 31 Dec 1992, the building will be returned to the ownership of the seller. This would have been just enough time for them to circumvent the parliament's decision. This move had nothing to do with protecting people's interests or anything else that Sandor Nagy was jabbering about. Every word this man utters is a lie! We have the proof right in our hands. As soon as we received the first piece of information we forwarded it to the Land Office and the press, and have done everything possible to prevent the deal from materializing. I commend the Land Office, which could have transferred the office building to the new owner on Friday, but decided to hold off, allowing the ministry to intervene. I believe that in light of all this, the Prosecutor's Office will definitely have to conduct an investigation.

For a view from the Alliance of Free Democrats, we have spoken with Peter Sebestyen, head of the party's Zalaegerszeg organization:

"I cannot really comment, for I am not familiar with the details of this case. Certainly we also feel reassured by the timely steps taken by the legislature to stop this action."

#### Antall Active in European Integration Since 1989

91CH0855A Budapest MAGYAR NEMZET  
in Hungarian 10 Aug 91 p 3

[Report on interview with Prime Minister Jozsef Antall by Sandor Illes; place and date not given: "European Unity and the National Idea—Conversation With Jozsef Antall"]

[Excerpt] We reported earlier that this year Prime Minister Jozsef Antall was the recipient of the prestigious Schuman Prize of Strasbourg. By awarding this proud European decoration to the head of government, the Hamburg-based FVS Foundation [expansion unknown] recognized his special merits in advancing the cause of European unity. As we reported before, the decoration would be conveyed to Antall on 11 September at a ceremonial session of the Council of Europe in Strasbourg's Rohan Palace.

Who is Robert Schuman, whose name this prize bears? His political career was launched after the World War in the Fourth French Republic. Beginning in 1947 he headed several governments, and after 1948 he served as foreign, finance, and justice minister a number of times. After the war he served as one of the definitive leaders of the Christian democratic-oriented MRP (Republican Populist Movement).

Although this politician was born in Luxembourg, he was raised in Germany prior to World War I and was strongly influenced by the German spirit. Together with the Italian Alcide De Gasperi and the German Konrad Adenauer he formed the trio that established the foundations for European integration as hoped for by Christian democrats.

We regard the establishment of the foundations for European integration as his life's work: On 9 May 1950 he submitted a plan for the establishment of the European Coal and Steel Community, the abolition of customs, and the gradual unification of economies involving six countries (France, FRG, Italy, Belgium, the Netherlands, and Luxembourg). The agreement based on the Schuman Plan was signed in Paris in 1951, and it was this agreement from which at first the much broader European Economic Community [ECC], and later the present European Communities [EC], with political goals and with an intent to accomplish financial and general integration gradually emerged. An integrated Europe regards Robert Schuman as one of its founding fathers, together with Hallstein from Germany and the other Frenchman, Jean Monnet.

To immortalize his name and in recognition of their services on behalf of the European ideal, the University of Bonn and the FVS Foundation of Hamburg established the Schuman Prize in 1987. Portuguese President Mario Soares was first to receive the prize, followed by Cardinal Paul Poupard, a member of the Papal Committee on Culture and chairman of the Curia's Congregation. The Hungarian prime minister was third to be awarded the prize.

And one more thing: The award is based on the recommendation of an international jury whose members include French Senate President Alain Poher, former British Prime Minister Edward Heath, and Walter Scheel, the former President, head of state of the FRG.

On the occasion of this high-level recognition we paid a visit to Prime Minister Dr. Jozsef Antall at his office. The EC flag he received in Brussels stands behind his desk together with the Hungarian flag, perhaps to ensure a constant presence of the spirit of European integration.

The prime minister said that Europe's leading politicians and political parties took part in the Movement for Europe. Its present chairman is Giscard d'Estaing, and in Geneva, October 1989, Jozsef Antall has been elected as one of its vice chairmen. At the request of Baron Crespo, the incumbent president of the European Parliament, Jozsef Antall took active part in the Movement for Europe, whose founders included Winston Churchill. Antall established the Hungarian Committee of the Movement for Europe in 1989. He delivered a speech on European unity and about the Central-East European countries to the EC Parliament in the summer of 1989.

"All this preceded my governmental role, it took place when the opposition and the national roundtable negotiations were held," he recalled. "I was in Brussels in

those days to take part in the discussions. By awarding the Schuman Prize to me they recognized my activities in support of European unity as well as the fact that I professed the European spirit of the Hungarian people at all times—and I do think there is a need to deny remarks to the contrary, the so-called criticisms. The idea of European unity and the Hungarian national way of thinking in the modern sense of that term have always been inseparable in my mind. European unity does not diminish the significance of the independence of nations, of their independent culture and spirit. Europe is what it is because within it the diversity and harmony of nations prevails and because national values also represent real values in the framework of new European thought." In his statement the Hungarian prime minister mentioned the fact that Tocqueville has already predicted in the last century that the United States of America and Russia would become the two world powers in the 20th century. But in the meantime the two world wars greatly contributed to diminishing the weight of Europe in global politics.

"Winston Churchill was first to recognize the existence of the Iron Curtain," the prime minister continued, "but he also recognized many other things, such as the need to uphold the idea of European unity against disruptive forces in Europe, because otherwise Europe would be lost. The first outstanding figures, the pioneers of this idea on the Continent, were Schuman, Adenauer, and De Gasperi. All three were Christian democrats, and they not only represented the Christian outlook when they stressed the cohesive universality of European Christendom; the inside knowledge of another nation and country also appeared in the careers of each of these personalities. The fact that along with national commitments these three persons were also predisposed to another commitment, to follow a trend that united nations, could obviously be attributed to this fact."

"At present 12 countries are members of the EC, and today Hungary also strives for associate membership, and later for full membership. We have all the chances for this to become a reality," he said. "I believe it is very important that integrations also take place in the Eastern part of Europe. It was not easy to achieve a French-German reconciliation or a full British-German reconciliation, because if one considers only these three nations of Europe—not to mention the Italians or other nations—rivalry has been going on for centuries before they finally succeeded in establishing the present unity."

Dedicated books by Bibo are placed on the prime minister's desk. On one of the covers the dedication to Jozsef Antall reads as follows: "I need not reiterate the love and respect in which I hold the memory of your Father, of whom it can also be said that 'his personality embodied Hungarian history.' I embrace you with love and friendship.—Istvan Bibo"

"On the occasion of Istvan Bibo's 80th birthday we just laid a wreath on his grave at the Obuda cemetery," he says in a quiet tone of voice. "I was present at the

wreath-laying ceremony. I knew him since childhood because he was my father's personal friend, and I maintained personal and political relations with him to his death, including in the years 1956 and 1957. I believe that Bibo was not only an outstanding representative of Hungarian political thought that began with Jozsef Eotvos, but he also symbolized the European [character] of the Hungarian people. He was able to represent his political views and outlook on history in the framework of a given age, of course. His outlook was defined by political ideals and political thought which coincided with his life's path. But Istvan Bibo bequeathed to us a definitive political legacy which can be upheld today. [passage omitted]

### Antall at Provincial Rally Evaluates 'Crisis'

#### Urges National Pride

91CH0808A Budapest MAGYAR FORUM  
in Hungarian 25 Jul 91 p 1

[Article by J.B.: "We Can Be Proud of Our Country"]

[Text] Although the local paper had not given much preliminary coverage to this very important event held at the county seat, by 0830 already large crowds were beginning to gather in front of the Attila Jozsef House of Culture in Salgotarjan. The occasion was an out-of-town cabinet session held by the government in the capital of Paloc land, which many were curious to witness. It could also be that the people were concerned about a warning issued earlier by "somebodies" to the head of the government not to "dare" to enter [Salgo]tarjan; naturally he was not frightened by the threat. Just in case, though, massive security forces had been dispatched to ensure that the events went undisturbed.

After the playing of the national anthem, Jozsef Antall dedicated Nograd country's historic crest and flag. This is what he told the crowd: "Our decision to take this solemn occasion and with this tricolored ribbon officially reinstate Nograd county's ancient crest should be interpreted as some kind of a nostalgic step backwards, or an attempt to 'reincarnate the reactionary past'; it has been prompted by our desire to further the organic development of our nation. So by taking this symbolic step we are simply restoring something that over the past few decades has been ruined under foreign rule, by puppets of a foreign regime or by people under duress using foreign means of coercion."

Afterwards Jozsef Antall also made the point that while to the unemployed, people living on pensions, and those of limited means it may be of little consolation to know that Hungary today is an independent country, the worst thing we could do to ourselves would be not to take notice of what has happened here over the past two years. Hungarians today are citizens of a state that they can be proud of. Let us not forget that the concept of local government in our country dates back as far as the

13th century; in other words, that our constitutional legal system is among the oldest ones known.

"We did not come here," continued Jozsef Antall, "to perform miracles, but to get a first-hand assessment of your local problems." (These were discussed with several experts participating at a closed session following the rally.)

After highlighting the dissolution of the Warsaw Pact, the disintegration of the CEMA, and the importance of independent statehood, Jozsef Antall paid homage to the 131 innocent victims of the 8 December 1956 bloodshed.

Turning to economic issues, he pointed out that despite the many problems facing it, the Hungarian economy has not collapsed. This he attributed to the creativity of the Hungarian people. We must still learn, however, that for our hard work to bear fruit we must be able to sell our products.

"It is in a crisis-laden environment that we are forced to develop a European democratic political system. So people should not allow themselves to be taken in by demagogues either on the left or the right. Do not believe that the interests of the working people will be best served by those who had gotten our country to this point in the first place. Resist becoming enticed by the song of sirens from either side. Those who had served the foreign regime and acquiesced in its illegalities should keep silent instead of trying to lecture us about what to do. They have nothing to teach us about constitutionality or the ideals of freedom," said Jozsef Antall.

#### Expects 'Increasing Difficulties'

91CH0808B Budapest MAGYAR HIRLAP  
in Hungarian 22 Jul 91 p 3

[Article by Janos Barcsi: "Out of Town Government Session on Assistance to Nograd"]

[Text] Headed by Prime Minister Jozsef Antall, on Saturday morning the entire government turned out to Salgotarjan to meet with the leaders of Nograd county and discuss ways of alleviating the problems of the region. A rally was held at the city cultural center, where the prime minister gave a speech, addressed—as he put it—to the entire country.

About 100-150 curious onlookers were standing in front of the Salgotarjan Attila Jozsef House of Culture waiting for the government bus and the prime minister's Mercedes, which arrived a half hour late. Speaking for the heavily guarded Jozsef Antall, Interior Minister Peter Boross, Minister of Industry and Trade Peter Akos Bod, and the respective state secretaries accompanying them, republic commissioner Sandor Skultety and Ferenc Korill, acknowledged the welcoming words of the county assembly, after which the rally began.

"Every Hungarian must know that he is a citizen of a country where during the 1,000 year existence of Hungarian statehood constitutionality and the rule of law have governed in a manner that we need not feel ashamed about," said Jozsef Antall, evoking history, then he shifted to the present.

As he explained, in the case of counties that are in a worse than average predicament, the government decided to examine the problems and existing conditions on location in order to find the solution as soon as possible, but, he warned, it would not be able to perform miracles.

Regarding Hungary's international reputation he pointed out that the country has never had a more positive image. In his assessment this was to be attributed primarily to Hungary's break with the Warsaw Pact and the CEMA, as well as to such historic developments as the departure of Soviet troops and the subsequent realization of our independence and sovereignty. He confirmed Hungary's determination to bill the Soviet Union for the more than 1.5 billion forints incurred in damages over the past 46 years, while conceding that it would be desirable to start anew, with both sides' cards on the table, building new ties especially in the economic and commercial spheres.

"Those who insist that this government has caused the deterioration of Soviet-Hungarian relations do not know what they are talking about," said Jozsef Antall, lashing out at the critics of his government's policies. The Soviet Union, he added, was refusing to pay not because it did not like the Hungarian Government or its outlook, but because the Soviet market has collapsed and it is therefore unable to pay.

Analyzing the domestic economic situation he had nothing encouraging to offer his audience in light of the mass layoffs and increasing difficulties anticipated in the second half of the year, despite the fact that our budget deficit has turned out to be smaller than earlier expected.

"We are not going to make easy and false promises," stated the prime minister, speaking about the problems facing the country and Nograd county. "Instead, we are going to make a thorough assessment of the actual situation, and then see what we can do." Then he made it clear: The government did not have any "family stash funds" for bailing out regions in crisis separately; it had to work within the confines of the budget. The government could only help those who are capable of helping themselves, insisted the prime minister, warning about the lack of enterprising spirit, and the absence of faith and trust that are so vital for recovery.

Turning to the political aspects of the economic crisis, Jozsef Antall had some strong words for the Kadar regime and its leading politicians, who after realizing that their misconceived policies had led the country to the brink of catastrophe, chose to hand over power

peacefully rather than face the prospect of having to answer for the odium of their policy of national destruction.

Following his speech, the prime minister placed a wreath at the memorial plaque dedicated to the victims of the 8 December 1956 salvo massacre. Then began the closed-door negotiations between representatives of the ministries and county leaders. Although even the topics of their discussion were guarded taboos, we were able to learn that the county had asked the government to sell the Salgotrjan Metallurgy Works abroad; they had asked for significant monetary assistance to boost their employment fund and to finance infrastructure-related projects. At the afternoon press conference, Peter Baross outlined some of the key elements of the agreement. It was learned that a special committee has been set up, headed by Peter Akos Bod, to process and implement the details of the agreement, and that in drafting the 1992 budget the government would work to implement the proposals discussed.

#### Orban on Parliament's 'Paralysis,' Compensation

91CH0807A Budapest BESZELO in Hungarian  
20 Jul 91 pp 13-14

[Interview with Viktor Orban, leader of the Federation of Young Democrats' parliament faction, by Zoltan Bretter; place and date not given: "I Could Make a Very Gloomy Projection"; Conversation With Viktor Orban"]

[Text] One of the government's tactics is to undermine the public's ability to distinguish between the government and the opposition. The laws enacted recently are laden with hidden dangers. We have asked the leader of the FIDESZ [Federation of Young Democrats] to give us his assessment of what the government has accomplished in one year.

[Bretter] Parliament's special summer sessions have come to an end, and academically speaking, it has completed its first full "school year." How would you assess this past year and the accomplishments of parliament, including those of the FIDESZ faction.

[Orban] In some respects parliament had a very positive start after last year's elections, while in other respects it started out at a great disadvantage. It started out positively in the sense that every form of political extremism had been excluded from its ranks; in other words, neither the far Left nor the far Right had been able to reach the 4-percent threshold. It appeared that we would have a trustworthy, well-balanced civil government. This despite the fact that there are parties, and within the parties individuals who are not fans of the ideals of Western liberal democracy. Even within their own parties, however, these people are powerless and isolated, and although we need to be constantly mindful of the lurking danger they potentially present, one can presume that they will never be able to rise closer to the middle of the hierarchy.

This is one side of the question. At the same time, parliament also started out at a terrible disadvantage to the extent that it has been asked to live up to expectations that it could not fulfill. In Eastern and Central Europe, including Hungary, a very unique situation has developed in which the establishment of the institutional system of civil democracy has coincided with a particularly acute economic crisis. Clearly, under deteriorating economic conditions it would be virtually impossible to organize support behind the institutions of any new social order. Institutions are very important parts of civil democracies, but what really makes them functional is the citizens' conviction that this is the institutional system that will provide the most suitable framework within which to conduct their lives. In Hungary, there is no certainty at all among the citizenry that the system of institutions currently evolving is the best they can have, and under the given circumstances this is not hard to confirm. I do not believe that either parliament or the government have taken the time to weigh this enormous burden, for if they had, they could be forging ahead recognizing that they, as the new political elite, are also unable to come up with policies that will help to improve or at least maintain the current standard of living, while at the same time retaining the people's trust in both themselves and the institutional system.

[Bretter] The government has been consistent in blaming this crisis of trust on parliament.

[Orban] Yes, but I would put it more bluntly. I am no longer certain whether this has been a conscious political strategy, or just the way things have happened to turn out. The reason why I say that I cannot tell is because I have no proof, and I do not want to fall victim to the Csurkoid [reference to Hungarian Democratic Forum politician Istvan Csurka] psychosis of looking for the enemy's hand in every unpleasant development. There is no question, however, that the government has ruined parliament's reputation: Everything that has contributed to the deterioration of public trust in parliament can, for the most part, be traced back to the government. Clearly there has been an effort to strengthen the executive branch, while at the same time putting all of the blame on parliament. The government, and here I want to stress again that I am not certain whether this has been done deliberately or out of gross negligence, carelessness, or unconscionable irresponsibility, has paralyzed parliament's work by proving itself to be unable to organize its own life and operations in a manner that is consistent and easy to adjust to by parliament. Until very recently, parliament has been regularly asked to act on draft proposals without an opportunity to prepare. The poor quality and often half-prepared and unacceptable content of the proposals have led to explosive debates that for constitutional reasons have occurred mostly in parliament. Consequently parliament has lost the trust of the public.

The position of the government, however, is even more untenable. In my opinion the government is now in a position where it has no chance of ever regaining the

public trust. The reason why the government and government coalition are in such a dire, no-win situation is not because they are unable to produce an economic recovery, or because during the first eight months of their administration they were unable to put an economic program on the table, or in general, because given their intellectual potential and organizational abilities they have fared poorly as professional politicians. This is not the problem at all. In fact, recently there has actually been some improvement in this area. What is more significant is that it has lost or squandered its moral reputation. For if a government is unable to promise economic recovery in the short run, it better make very sure that it does not leave itself morally vulnerable. The pledge made the day before the gasoline blockade that there would not be a gas price increase was the kind of lie that cannot be undone: Immediately the government was branded as government of deception. Once a minister loses the public trust, he becomes the object of ridicule. And in every Western democracy, if it happens more than once, the minister is replaced. Instead, our government has forged an alliance of defense and defiance with discredited individuals. It has played politics with individuals, without paying attention to functions. Consequently, people have concluded that compared with the past nothing has really changed. In the past, collective accountability was the governing principle that prevented responsible individuals from being identified. Now we have individual accountability, which means that we know who is to blame for a given scandal, but there is no one to hold the culprit accountable. Once the people conclude that a minister can make mistakes upon mistakes without being dismissed, they lose respect for their government. Maybe this government will still be able to produce results; let it be so. (I do not see much chance that it will.) But it does not really matter whether or not the government will eventually become a good performer, for there is little chance of it becoming one that is liked by the people.

[Bretter] There are two popular definitions of democracy: the majority rule notion, and the compromise-minded notion of always working toward a consensus. Clearly, this government has opted for majority rule definition.

[Orban] I cannot say whether the majority-rule or the consensus-oriented version is preferable. I believe that either choice must be accompanied by performance. In other words, I do not think that in principle there is anything wrong with a government boasting a solid majority to opt for the majority notion, as long as its accomplishments are in tune with that choice. Under the given circumstances, it was a mistake on the part of the government not to make it clear which issues would definitely be decided by consensus, and which once by uncompromising majority vote. It has been unable to draw such a distinction, insisting instead on doing business strictly on the basis of the majority principle.

We have always said that in these times of "fundamental political transformation"—and I want to put this phrase

in quotation marks for normally I prefer not to use it—when our task is to build a whole new system of institutions, the proper thing for the ruling parties would be to ensure that they acted on a broadly based consensus. A consensus attained through interparty negotiations aimed at designing the components of some of our basic institutions in accordance with the principle of rotation farming, so that the coalition parties of the next government—if they turn out to be different from today's—can continue to build on them. For at issue here is not who governs, but how to lay the foundations of the new system.

The government was never expected to formulate economic policies by striving for a consensus between the opposition and the majority. Certain basic elements of that policy, however, such as those concerning privatization, the establishment of a system of self governments, the reform of the judicial system, and many other questions should have definitely been decided by consensus. This is not the way it has happened, which presents a big problem. Imre Konya claimed that the present government coalition had received a mandate to change the system. I, on the other hand, believe that the mandate they received was to govern; the mandate to change the system, as it were, went to the parties of parliament. Many of the institutions created have been dysfunctional from the moment of their inception, starting from the establishment of local governments to the half-hearted introduction of administrative courts. I believe that the real responsibility for this lies with the government coalition.

The opposition, at least as far as FIDESZ is concerned, has always done everything in its power to help create the broadest possible consensus. This is why we had called for a grand coalition, and after it became unworkable, the six-party negotiations format. The central aim of our recommendations and strategy has always been to place key institutions on the broadest possible foundations. In this sense, I feel, the course followed by the FIDESZ parliamentary faction has been quite straightforward. Our goal has been to replicate the institutions of West European liberal democracy. In pursuing that end, we have fought uncompromisingly against traditional views while working to forge a consensus across the political spectrum, hoping to bring together different parties, and the people and forces within those parties who are committed to the cause of democracy, in establishing a new system of institutions.

[Bretter] In direct conflict with this aim, a whole series of laws have been passed on the basis of the majority principle, which FIDESZ has firmly opposed. One of these was the compensation law. At the very end of the last session they passed a new law governing church property, which FIDESZ has chosen not to take a definite—yes or no—stand on, even though its own compromise proposal was mercilessly rejected by the majority. What will the effect of these laws be once they are actually put into effect?

[Orban] I do not know what their effects will be, but one thing I know for sure: They clearly will not lead to anything good. The question here is what will help keep the damage to a minimum: implementing the adopted laws, which are particularly bad, or shelving them? The compensation law, for example, is impossible to implement in my opinion. Perhaps time will prove me wrong, but I am convinced that it was intentionally conceived to be impossible to implement. It was designed this way on purpose (one needs only to look at the possibility of suspending the redemption of compensation certificates, the complicated rules of procedure that are bound to discourage people at the outset already from becoming entangled in lengthy proceedings, and the short suspense for filing); in other words, I think many people will be left wondering whether or not there has been any compensation. This will generate enormous tensions, for those who have expected something of the compensation law will be disappointed. But if this is what happens the country will still be better off, in my opinion, for going ahead with compensation, according to our calculations, will require a disbursement of 140 million forints from the state budget without any offsetting revenues whatsoever, which in the case of a state treasury struggling with a 22-million-dollar foreign debt, and a 1,200-1,500-billion-forint domestic debt, is simply mind-boggling.

[Bretter] And to top it all, we have the proposed return of church property.

[Orban] I could make a very gloomy projection for you of what the consequences of these laws could be. I am not saying that these are inevitable, but there are also no guarantees that they will not materialize. So let us assume that they implement the compensation law, and 140-billion-forints worth of state property are disbursed. They implement the law on church property, which has several unconstitutional features, setting off a lengthy legal process involving the courts, constitutional tribunals, and so on and so forth. But let us also assume, because from the constitutional point of view it is quite conceivable, that we will have a situation in which they will have to resort to expropriation in turning over schools and other institutions that had already been placed under local control to the church. If the state intends to go through with the expropriation it must pay immediate and full compensation, which will result in the disbursement of I don't know how many, but certainly several billions of forints. Add to this the costs of the Expo, which will be another 30 billion forints, not to mention the additional state guarantees pledged to the venture. It stems from the logic of large investments, and is not irresponsible to predict that the costs connected with this undertaking will exceed 30 billion forints, placing an additional strain on the budget. The state's ability to offer guarantees is already overburdened on account of the social insurance system, Ikarusz, Suzuki, and the Iranian aluminum plant. If Jozsef Antall does not take a firm stand behind Kupa's program, we will end up with a selective system for financing exports that

once again will require the establishment of funds and state subsidies, leading to further budgetary spending.

If this is not enough, we could be looking at the beginning of strong trade union movements, which—on perfectly defendable moral grounds—will be demanding wage increases and social benefits. Should all of this spending occur concurrently, they will wipe out the whole budget. They will wipe out the whole country; there will be no budget, no economic restructuring, no privatization, nor anything else. We must prepare for this. For I believe that this is a perfectly realistic outcome. At the moment that is precisely the direction in which we are heading.

[Bretter] Did you just happen to focus on the economic implications of these laws, or do you think that these are the most important ones?

[Orban] These are the ones that I consider to be the most important. I also have serious reservations about certain matters of principle, and I do see dangers looming in other, intellectual spheres, but I consider the economic threat to be the most serious, as it is virtually irreversible. Of course, the return of church property is a very difficult matter. It was by no accident that FIDESZ has called for a vote by roll call on the issue of ensuring that if a settlement only had one school it would definitely remain in state hands. The FIDESZ proposal was voted down, but the position that is the most respectful of the constitution is still to keep single schools in a given settlement in state hands, since according to the law landed property can only be returned if the return does not threaten the obligation of local governments to provide basic services. And the local government law has made basic education a local responsibility. Given the existing legal situation, I believe, the establishment of divided schools is inconceivable. Naturally, the governing parties hold an entirely different view of the situation. It has become fairly clear to me that the whole scheme was conceived by them in order to reach single-school settlements, and to provide some children—faithful children of faithful parents—with religious education, while forcing others to accept becoming godless atheists and to be branded as such. This “voluntary” separation of children will be a completely arbitrary kind of discrimination because children do not differ in this regard, and because perhaps this is the least significant of all possible differences among them. I am not at all certain that their aim is not to force some kind of a centrally supported ideology on Hungarian society. Nor can I tell you whether or not this extremely menacing danger really exists, or if there is an imminent alliance forming between the most conservative members of the clergy and the most conservative-minded members of the government.

This, in my opinion, is a very dark projection that would be certain to entail serious consequences. But it does not necessarily follow from the existing situation. I do not have a clear feel for the political culture of the lower clergy. There are a great many interdependent variables

at play here, so I would not want to sound any alarms. I would point out, however, that once the steam roller begins to roll—which I do not see happening yet—there is no reason to believe that it will not run over our entire society.

#### Expected Detrimental Effects of Compensation Law

91CH0779A Budapest *BESZELÓ* in Hungarian  
27 Jul 91 pp 16-17

[Article by Gyula Gaal: “Whose Law Is It After All? (Compensation Fears, Part II)”—first paragraph is *BESZELÓ* introduction]

[Text] Having lasted a good six months, the fight over the Compensation Law extended even to the Constitutional Court, but has unquestionably produced results. The promulgated version is better than the bill the government introduced in the National Assembly last December, and much better than the bill that jarred our nerves in the wake of the deal concluded in March between the MDF [Hungarian Democratic Forum] and the Smallholders. Of course, we should not be fostering any illusions. The advice one reads in the Trabant owner’s manual applies to this law as well: The vehicle’s excellent performance characteristics and riding qualities must not tempt one to recklessness. The point is merely that the present text speaks also of the future, instead of focusing attention just on a small part of the past.

A few words about the changes we [the SZDSZ—Alliance of Free Democrats] were striving for. (The question as to why an opposition party had to abandon its own concept at the very beginning, flounder between the Scylla of “not participating in the debate” and the Charybdis of “becoming compromised by the government’s law flawed in its principles,” and introduce only limited motions to amend, deserves to be discussed separately.)

With our motions to amend we strived to achieve simultaneous compensation for the victims who had suffered injury in different ways, and to end or at least reduce discrimination among the individual groups of compensation claimants.

In the economic sphere, moreover, we sought to dampen the shock effects upon the present economic players, so as to avoid bankruptcies on a mass scale. And to use the compensation awards for the purpose of accelerating privatization and broadening its base.

#### To Dampen the Effects

Continuing my strict adherence to the self-imposed restriction to discuss only economic questions, I will dwell on our motions to amend that fell within the economic sphere. How could the law’s effects on the present economic players have been dampened or at least spread out over time?

From that point of view, we attacked two points of the bill's version that was introduced following the Constitutional Court's decision. As I have written in Part I, one of the law's main dangers is that it could suddenly yank the land from under the feet of the large-scale farms now farming it. Which means that the cooperatives deprived of their production base would be forced into bankruptcy, dragging with them a proportion of the industrial enterprises and banks. The version introduced last December offered no protection at all. The amendments added in the meantime improved that version to where the law now enables cooperatives to create—in accordance with the number of members and employees they have—a land fund that is protected from compensation claims. This land would continue to be used for large-scale farming, enabling the cooperatives to continue providing work for those of their members and employees who were incapable of farming on their own, as well as meeting the debt-servicing and other obligations the cooperatives assumed earlier.

The provision that land worth 30 [Austro-Hungarian] gold crowns per member and 20 gold crowns per employee—i.e., between 1 and 2 hectares—may be placed in the land fund is not very generous when compared with the above requirements. But to some deputies even that much seemed dangerously excessive. To be on the safe side, they added, and stubbornly insisted on retaining, a provision that the land fund formed in this manner cannot exceed half of the combined total gold-crown value of all the land of a large-scale farm. For the overwhelming majority of the cases this provision is overcautious, because the land fund will obviously remain below this limit. And where the land fund, computed in the aforementioned manner, will exceed the 50-percent limit, there it will certainly be needed because of over-full employment.

But an even greater problem is that this method of computing the land fund is unable to differentiate among cooperatives on the basis of the extent to which their activity—and hence also their viability, solvency, and ability to support their members and employees—is tied to their land. The cooperatives that engage in subsistence farming on poor soil, supporting themselves through industrial production, and by providing services are more than willing to be rid of all their land. (Of course, nobody else would want their land either.) But for the cooperatives supporting themselves explicitly from farming the land fund determined in the above manner does not offer any chance of survival.

#### Forced Land Sales

The other point on which we wanted to give the cooperatives more protection is bidding. The law specifies that the upset price of land worth 1.0 gold crown is 3,000 forints. If there are no bids at that price, the upset price may gradually be reduced, but not below 500 forints/gold crown. That limit is dangerously low! For one has to take into account that this is not a transaction into which the two sides enter of their own free will in the marketplace,

and that the deal is not concluded in freely spendable currency. (Please spare me vitriolic comments about where the forint can be spent freely. Slowly but surely, the forint will be worth something after all.) Thus if a state dictate forces the seller to sell his land in exchange for government securities whose use is limited anyhow, and in addition the circle of buyers on the other side (and thereby also the bids and the attainable price) is artificially limited, then guarantees protecting the seller also are needed. In our opinion, the minimum requirement in this respect is that a cooperative should not be forced to sell land below the price that the claimant entitled to compensation gets for his one-time land (1,000 forints per gold crown). Indeed, we believe that even a higher reserve price would be feasible. For now that our motion to amend has not passed, the grotesque situation might arise that a claimant could get compensation equal to even twice the value of his farmland, but merely to one-twentieth of, say, his one-time city apartment's present value.

#### Dependents on Their Own Farms

And what could have been done within the framework of the Compensation Law on behalf of privatization? Even if we disregard our proposal to give citizens share vouchers, which conceptually does not fit into the present law, there still remains an opportunity to broaden the new stratum of proprietors, and at the same time to protect the present economic players. Namely, the widening of the circle of persons who may participate in auctions. For the law at present restricts the circle of bidders to persons who have compensation certificates in their own right, thus arbitrarily limiting the demand and the attainable price. More importantly, the law completely neglects the approximately 100,000 small tenant farmers who have no compensation certificates, or not enough to buy the land they are now leasing. They, the real small entrepreneurs in agriculture, are falling on their own farms into a new dependence, less predictable than before. Obviously in the interest of the farming peasantry.

#### And the Rest?

So far I have discussed only a few dangers that are clearly evident also from the law's wording. I have not mentioned the uncertain points where only the implementing decree and other related laws, and perhaps subsequent interpretation of the law, will determine how much trouble they are causing. Such uncertain points include, for instance, the compensation certificate for which an annuity can be purchased within the framework of social security. It is to be feared very much that the independent Social Security Fund, the state budget, or both will be hard hit by this law. Or I could mention the agricultural cooperatives' successor organizations to which the possibility of forming a land fund does not apply, according to the interpretation of the three parliamentary committees concerned, while the law's compulsory land-sale provisions do apply to them as well. If that is how things actually turn out, then this provision will be

nothing more than petty revenge against those agricultural cooperatives that restructured themselves into corporations. Or consider the case of the compensation certificates the cooperatives acquire; these certificates both can and cannot be exchanged for land. But leaving aside the question of whether the compensation certificates can be exchanged for land, even before its promulgation the law is undermining confidence in the very certificate it itself has created, by promising systematic suspension of the certificate's exchangeability, instead of rapidly expanding the demand for privatized assets.

#### Avalanche of Bankruptcies

To sum up, the final version of the Compensation Law—in spite of all its favorable amendments—is

unable to dispel our fears regarding an avalanche of bankruptcies, does not protect agriculture from the withdrawal of capital by absentee landlords, and provides no security for retired farm workers, small tenant farmers or the social stratum that finds employment on large-scale farms. To offset all this, the law will indeed create a not-too-wide peasant stratum able to farm its private farms, and we will also be able to loudly proclaim to foreign countries that we have created secure ownership.

But allow me to ask quietly here at home: Would it not have been possible to find a solution offering a greater benefit at a smaller loss to society? So far we have seen only the squabbling. Footing the bill has yet to come.

**POLITYKA Weekly News Roundup: 4-10 Aug 91**

91EP0662A Warsaw *POLITYKA* in Polish No 32,  
10 Aug 91 p 2

[Excerpts]

**In the Country**

[passage omitted]

At his first press conference, President L. Walesa announced changes in the composition of the Chancellery. After the elections, the Chancellery will be depoliticized. At the same conference, L. Walesa praised Ambassador Stanislaw Ciosek highly, calling him one of the best ambassadors. Two days later, Ambassador Ciosek was received at the Belweder Palace. As S. Ciosek reports, "Moscow affairs" were discussed. It has not been ruled out that the president of the Republic of Poland will visit the USSR in the fall.

Stanislaw Tyminski, who said "I was pleasantly surprised by a telephone call from the president and an invitation to visit," came to the Belweder Palace. The economic situation, mistakes in government policy, and the election campaign were discussed. The leader of Party X said the following about the position of the president: "This man is in an exceptionally difficult situation." Further visits by heads of parties at the Belweder Palace were announced. In connection with this, the Democratic Union stated that L. Walesa has refused to meet with Tadeusz Mazowiecki twice.

According to the latest surveys by the CBOS [Public Opinion Research Center], President L. Walesa has lost the most. For the first time, he has more opponents than supporters. Prime Minister J.K. Bielecki and Deputy Prime Minister L. Balcerowicz have also lost a lot. E. Letowska and Primate J. Glemp are the only ones whose ratings have improved.

The state electoral commission has accepted the initial applications of, among others, electoral committees of the Union of the Democratic Left, the National Party, and the Republican Coalition. Applications by the committees of the Party of Reason and the Social Justice Party have been rejected for not being in compliance with the electoral law.

The Senate has come out in favor of amendments to the education law proposed by Archbishop B. Dabrowski. The secretary of the Conference of the Episcopate proposed, among other things, changes in articles concerning religious instruction in the schools. In schools above the elementary level, decisions on selecting a religion will be made by parents or students themselves rather than solely by the students, as the Sejm has resolved. The Episcopate has also suggested that the schools organize religious instruction rather than merely provide an opportunity for it.

The Council of Ministers is continuing the discussion of draft revisions to the budget. It is expected that the

deficit as of the end of the year will amount to 24 trillion zlotys. We expect proceeds from customs duties and enterprises to increase. So far, it is not known whose budgetary allocations are going to be reduced. The ZUS [Social Security Agency] may count on subsidies for the payment of retirement benefits, annuities, and grants in aid. [passage omitted]

Effective 1 August, hot water and central heating, imported fuels, and reserved seats on trains became more expensive (locally produced fuels became more expensive four days later). Urgent and instant telephone calls became less expensive.

Visa requirements for trips to Austria will most likely be canceled effective 1 September. An exchange of notes on introducing the principle of readmission (the obligation to accept the citizens of one country expelled from the other in view of violations of law) in relations between the two countries was made at the Ministry of Foreign Affairs. Switzerland will be the next country to cancel visa requirements. Minister K. Skubiszewski will visit the Swiss Federation in September. [passage omitted]

For now, changes in the structure of TV newscasts have been postponed. Meanwhile, the Sejm Commission for Culture and the Mass Media completed work on the draft law on radio and television. The Radio Committee will be split into 31 companies of the State Treasury. The National Council for Radio for Television Broadcasting, consisting of nine persons (three persons nominated for six years by the Sejm, the Senate, and the Republic of Poland president), will oversee radio and television. [passage omitted]

The Swedes are sending back Gypsies immigrating from Poland. As Swedish Charge d'Affaires in Poland Per Saland stated, Polish citizens of any ethnic background have no chance to secure political asylum. The exodus of Gypsies from Poland has ceased after deportations from Sweden.

The Registry Court in Katowice entered an enterprise called the Katowice Iron and Steel Plant-Joint Stock Company into the register of companies under commercial law. This is the largest one-person partnership of the State Treasury. Its capital amounts to 10.8 trillion zlotys.

Solidarity and the government resolved to set up a team that will develop guidelines for financing the wages of employees at liquidated and bankrupt enterprises. Another team is to set up an insurance institution (a foundation or a fund) that will guarantee that financial claims by the employees of these companies are satisfied. [passage omitted]

The OBOP [Center for Research of Public Opinion] asked its respondents: What should be done about the people of the so-called old political and economic nomenclature? Forty percent of those surveyed expressed their opinion that they should be barred from holding important positions; 36 percent thought that they should be candidates for these positions on an equal

footing with all citizens; 11 percent maintained that they are very good professionals and should be retained in their positions; and 11 percent had no opinion on this topic.

During a meeting between Minister J. Lewandowski and voivodes, presidents, and mayors, it was stated that changes in the gminas, mainly ownership transformations, proceed too slowly, and that they should be accelerated. Poor quality of the emerging cadres was found to be the main reason for the malaise in local administration. The liberal from Gdansk Tadeusz Aziewicz said: "Gmina self-government bodies were nominated almost exclusively from among the candidates of the Citizens Committees. These were frequently people who were drafted, incompetent and inexperienced. The local authorities are functioning worse than before the elections."

#### Opinions

[passage omitted]

**PIOTR ZALUSKI, deputy director of the Polish Section of Radio Free Europe:**

*In an interview by Oskar Sobanski, ANTENA, 27 June-2 July*

[Sobanski] Embarking on the election campaign will be a great challenge. What projects associated with your participation in this campaign do you have?

[Zaluski] Our bureau in Warsaw is trying to be everywhere it should be. A view from the outside enriches this still more, and perhaps at times reduces the fever of the situation. Two years ago, our radio station participated

in the campaign mainly to present the views of the Solidarity side. At present, we strive and will strive to be as objective as possible in order to prevent being entangled in any political games.

**JAN ROKITA, deputy, chairman of the Extraordinary Commission for Investigating the Operations of the Ministry of Internal Affairs:**

*In an interview by Andrzej Witold Halicki, KONFRONTACJE, Nos. 7-8, 1991*

To date, the operation of the commission has resulted in 56 criminal proceedings being resumed, about 30 charges filed by prosecutors, 75 detailed position papers, the fitness of 32 prosecutors for duty questioned, and finally, two very laboriously prepared reports, which for the first time reconstruct the events in the Wujek Mine and Lubin honestly and accurately. They will be published in late August and early September together with the names of those responsible for these crimes.

**ADAM MICHNIK, deputy, editor in chief of GAZETA WYBORCZA:**

*In an interview by Monika Kuc, ZYCIE WARSZAWY, 27-28 July*

Communism was attractive not simply because it had power and handed out perquisites. This is too trivial. If this were the case, there would be no communists in France or the United States. Communism attracts a certain type of pervert who on one hand does not fit in the system, wants to bring it down, and is frustrated, while on the other hand, has a tremendous need for authority and faith. To my mind, it would be an illusion to believe that this psychological type will not find another political system for itself now.

**Prohibited Export, Import Items Listed**

*91BA1077A Bucharest MONITORUL OFICIAL  
in Romanian 27 Jul 91 pp 6, 7*

[“Text” of government resolution on imports, exports system issued in Bucharest on 6 July]

[Text]

**Decision on Imports, Exports System**

**The Government of Romania decrees:**

**Article 1**

The import of commodities is liberalized and will require automatic import licenses only for statistical purposes.

Exceptions to that rule are imports paid out of state foreign currency funds; imports involving clearing, barter, and debt recovery operations; imports for deliveries of complex installations and construction-assembly operations; imports resulting from government agreements, and imports permitted under the annex to the present decision.

**Article 2**

The Ministry of Economy and Finance, upon the recommendation of the Ministry of Commerce and Tourism, may set customs surtaxes on imports that could seriously harm the internal production of certain products. Such surtaxes will remain in effect until the negative influences of the imports targeted by them have been eliminated.

Customs surtaxes will be levied upon the documented recommendation of economic entities or of the associations of economic entities involved.

**Article 3**

The Ministry of Commerce and Tourism, upon the request of the National Bank of Romania, may set quantitative restrictions on imports when there is imminent risk of imbalance in the foreign balance of payments, or for the purpose of creating normal foreign currency reserves, in compliance with GATT-established procedure.

**Article 4**

The export of commodities is liberalized and will require automatic export licenses only for statistical purposes.

Exceptions to that rule are exports of commodities under contingency or subject to quantitative restrictions in the countries of destination; exports involving clearing and barter operations; deliveries of complex installations; construction-assembly projects; provisions for foreign vessels; the export of licenses and know-how; exports on credit approved by the Romanian Government, and the exports allowed under the annex to the present decision.

**Article 5**

The Ministry of Commerce and Tourism will establish the export contingencies and the list of items temporarily not allowed for export, for the purpose of protecting the resources required to achieve internal production and to ensure market supplies.

**Article 6**

Should export developments jeopardize the fulfillment of the domestic production or cause shortages of market supplies, upon the documented recommendation of economic entities or associations of economic entities, the Ministry of Commerce and Tourism may decree additional contingencies or export restrictions.

**Article 7**

The Foreign Trade Department of the Ministry of Commerce and Tourism will be in charge of issuing export or import licenses and of determining contingencies.

Before issuing a license the Foreign Trade Department may ask exporters of goods manufactured by other economic entities to produce a document showing that the latter will make available the goods in the quantities specified in the application.

The Ministry of Commerce and Tourism will establish and oversee the system of imports affecting public health and environmental protection, as well as of exports of items subsidized by the state in lei and/or foreign currency.

**Article 8**

Export or import licenses will be issued within at the most 10 days of the filing of the license application.

Export or import licenses for commodities under contingency will be issued for a limited period of time in order to ensure that the contingencies are not blocked by economic entities who fail to carry out the operations in question.

**Article 9**

Reason has to be shown for turning down applications for export or import licenses. If the reason for the rejection is not among those that by law are left to the discretion of the Ministry of Commerce and Tourism, persons with a grievance may take action in accordance with the law on administrative disputes.

**Article 10**

The present resolution will become effective on 6 July 1991.

On the date on which the present resolution becomes effective, the Romanian Government Decision No. 6/1991 and any other conflicting resolutions are abrogated.

Prime Minister  
Petre Roman

Bucharest, 6 July 1991  
No. 472

**List of Prohibited Items and Items Subject to Export-Import Controls in Accordance With International Commitments Assumed by Romania**

**a) Import**

1. Arms and ammunition, with the exception of those authorized by law.
- 2.\* Equipment, parts, and technologies that may be used to produce nuclear, chemical, or biological weapons or means of delivery for such weapons.
- 3.\* Radioactive, chemical, and biological material and products that may be used to manufacture nuclear, chemical, or biological weapons.
4. Explosive and toxic material, with the exception of those authorized by law.
5. Narcotics and hallucinogens, with the exception of those authorized by law.
6. Military equipment, with the exception of that authorized by law.
7. Pharmaceuticals, medical equipment, and medical-technical material not authorized or recommended by the Health Ministry.
8. Documents, printed material, or recordings forbidden by law.
9. Other items that are not allowed by the legal regulations in effect, are not classified, or are in the process of being classified.

**b) Exports**

1. Arms and ammunition, with the exception of those authorized by law.
- 2.\* Equipment, parts, and technologies that may be used to manufacture nuclear, chemical, or biological weapons or means of delivery for the weapons in question.
- 3.\* Radioactive, chemical, and biological material and products that may be used to manufacture nuclear, chemical, or biological weapons.
4. Explosives and toxic material, with the exception of those authorized by law.
5. Narcotics and hallucinogens, with the exception of those authorized by law.
6. Military equipment, with the exception of that authorized by law.
7. Pharmaceuticals, medical equipment, and medical-technical material not authorized or recommended by the Health Ministry.
8. Items belonging to the cultural-national heritage, with the exception of those that have been authorized by law to be temporarily taken out of the country.

9. Precious metals, gems, and objects made of such, with the exception of those which may be legally taken out of the country.

*\* Items subject to export and import controls for which the competent ministries will mutually notify and consult each other concerning applications for the export and import of such products, with a view to ensuring observation of the international obligations assumed by Romania in the area of nonproliferation of means of mass destruction and delivery rockets.*

**Wide-Ranging Interview With Princess Margaret**

*91BA1053A Bucharest "22" in Romanian 24 Aug 91  
pp 8-9*

[Interview with Princess Margaret of Romania by Gabriela Adamesteanu; place and date not given: "Romanian Truth Is Coming Back"]

[Text] [Adamesteanu] In the past year I did interviews with prominent Romanian exiles, which I would like to collect in a book entitled (for the time being) "The Nostalgia and Recovery of the Exile." I would like to ask Your Highness what the word "exile" suggests to you.

[Princess Margaret] Such a book seems to me to be important for the Romanian culture; there is a philosophical aspect and a personal aspect to exile. Both my father (to whom I am very close) and I have lived in exile, consequently we have seen it from two perspectives: I have seen what exile meant for a special man whose roots were cut off, and to this pain of exile I have seen added the pain of the person who is aware of having a mission and a responsibility—to represent his country—but who was violently deprived of it. As for myself, ever since I was a child I knew my country as a country of shadows which I was forbidden to enter. It had a real wall, but also a personal, subjective one, impossible to penetrate. You know, for example, that the moon is there, but can you go there? Romania was a forbidden country to me, surrounded, moreover, by the violence of the past. Ever since I was a child I knew that something terrible had happened in my country, not through its own fault, but because of historical circumstances. (Although some people did bear some responsibility). And I grew up with the thought of the injustice of this exile and of the injustice that Romania had to endure: It was difficult not to become bitter because of this injustice. My father is not bitter because he has a strong philosophical and moral frame of reference, I, however, wanted to go to school with children my age, in my country, to know them, and to travel through Romania. Any child who knows that her country (which she cannot see) is suffering, and who cannot make friends of her own generation, will grow up with a feeling of injustice. In the beginning I experienced it as a personal injustice and only later I understood the historical injustice. The exile has different meanings to each generation, but I think that all of us who live in exile have this yearning and this feeling of injustice. Many exiles want to forget

and I can understand them, too; they have suffered too much. At times the human language cannot absorb so much pain. You have to forget in order to be able to live.

[Adamesteanu] From your interview with Rodica Palade for this year's first issue of "22" our readers know that you studied sociology—a surprising detail for what we in Romania thought should be the education of a princess. What prompted you to choose that profession?

[Princess Margaret] My choice was determined by my condition as an exile (which was a fact of life for me) but also by a sense of duty; I knew that I had to do something good and useful with my life. I did not want to have a profession about which I could be indifferent, or a ridiculous profession. Initially I wanted to study economics, but I wasn't very talented in math; besides, I thought it was a rather limited field. I could have studied history, but I think more in terms of the future than the past. I chose sociology, which in the West incorporates history, political science, and economics—almost everything. I wanted to do something real, active, and useful—or at least to try to resolve certain problems. Because I belonged to Romania (although I couldn't live in Romania), I thought it would be a good idea not to tie myself to a certain country, whether England, Italy, or Denmark, but to work for an international body, and if Romania ever became free, my training would allow me to use my experience and knowledge for my country. Sociology allowed me to work for the United Nations.

[Adamesteanu] What were your student years like and the period of training as a sociologist with the United Nations?

[Princess Margaret] Until high school graduation I went to French-speaking schools (my mother's language). Then for one year I traveled in Africa, especially Kenya and Sudan, to see the UN refugee programs. Then I went to the University of Edinburgh (Scotland), where I won a master's degree in sociology and political science. After graduation I specialized in medical sociology, because I was interested in it and because I found work in that area. It was a special time, the time when the entire system of medical organization was changing in England. For two years I worked as a research assistant on an interdisciplinary project on the various aspects of the nursing profession. In the following five years I participated in an international study carried out in Canada, Mexico, California, and Zambia, which was subsequently developed in Japan and other countries, on the causes of alcohol abuse in various countries and finding common solutions. There are differences from one country to the next. We also did a small economic study to find out whether people drink less when the price of alcohol goes up. We found that people's drinking habits stayed the same, but they become impoverished and deteriorated physically, because instead of giving up alcohol they give up bread or fruit. All civilizations have their drugs (alcohol, tobacco) and when the drug is outlawed a veritable crime situation develops around it. This research study, sponsored by the United Nations, is

still continuing. I was working at the Scottish research center. Every six months we used to meet in Geneva; people would come from the various world research centers to try to devise common solutions.

[Adamesteanu] Then you abandoned medical sociology?

[Princess Margaret] I stayed in the field of medical sociology, but I went in a completely different direction: I did a research study for the purpose of making recommendations to the Health Ministry concerning the information supplied to breast cancer patients before and after surgery. The objective was to help physicians offer treatment to women in that situation, women who undergo a kind of amputation that affects their psychological condition, social functions, their functioning as mothers and women, and their functioning as human beings. If a woman does not receive appropriate treatment at the time of surgery and is left with a psychological trauma, she will have difficulties reintegrating into social life. The research was designed to improve the information given before and after surgery and to involve the family (husband and children) in helping the patient.

[Adamesteanu] What was the next distinct stage?

[Princess Margaret] I then specialized in foreign relations with developing countries, with poor countries that have to struggle with poverty and ignorance. As of 1984 I worked in Rome for the Food and Agriculture Organization (FAO). We were in charge of agriculture, testing solutions for dealing with hunger and poverty, and creating an international campaign so that the problems can be resolved in the villages, by the farmers, not by governmental decrees. The United Nations is frequently criticized, but it does have very good technical programs such as for irrigation, for example, or for crops rotation. Between 1986-89, also in Rome and also for the United Nations, but in another organization named FIDA (International Fund for Agricultural Development), we were trying to obtain—also within the foreign relations service—funds from the governments belonging to this organization for small-scale projects for poor populations in the Third World. We were dealing with specific, concrete projects, such as opening a bank in a village, or setting in motion a small irrigation project, because in the last analysis it is easy to issue laws and decrees, while people in their small area and their daily lives do not know how to cope with their own problems.

[Adamesteanu] From what you tell us I understand that you found your work as a UN sociologist both useful and interesting. What made you give it up in 1989?

[Princess Margaret] In August 1989 I decided to leave. I resigned, gave up my small rental apartment in Rome, packed my bags, and went back to Switzerland. I decided to work with my father, to help him better organize his office and deal with all the current demands made upon him, and to work for change in East Europe.

[Adamesteanu] Did you feel that change was coming?

[Princess Margaret] Yes. It was August, but the situation was already simmering in Czechoslovakia and Poland, and things were beginning to stir in the GDR. I couldn't go on with my work while knowing that my country was in such a situation and that my father was alone in his attempts to halt the "new kind of holocaust" that was threatening the Romanians and the minorities because of the systematization (Radio Free Europe declaration of September 1988). Someone had to be with him and help him. He was giving speeches, he appealed to the Human Rights Commission in Geneva—as you read in Mircea Ciobanu's book. Around 1985-86 the press had once again become interested in Romania and in King Michael. Previously he had been calling in the wilderness, no one wanted to listen to him.

[Adamesteanu] Some people in our country are now asking, why didn't King Michael come then, in December? Perhaps in the first few days the new authorities would not have had the power to react with the same brutality with which they acted later.

[Princess Margaret] I don't know. We'll never know. First of all, you must remember that the airport was closed. Then, what would he have done here, with whom would he have spoken? People may have said, who is this man?

[Adamesteanu] When you came, three weeks later, did you get the impression that the decades of communist propaganda had made the Romanians forget their history?

[Princess Margaret] Yes, of course, I knew that very well. And the king thought there was no point in seeming to come and announce: "I am here," after the young people had given their lives. It could have been interpreted as recovering the power. So at that time my father said: "I am ready to serve." That is his role. It was not known who would come to power; it seemed that the youth and the democratic forces might. There were young people in the streets fighting for their freedom, so what could he say, except: "If you need me, I'm here." It may have been too modest on his part not to come and interfere in the struggles and in the violence, but that is his role: to serve the country, not to come to the forefront. There were also serious practical problems: closed borders, contradictory reports of moving convoys. How was one to land here?

[Adamesteanu] When did Your Highness arrive?

[Princess Margaret] I came on 18 January 1990.

[Adamesteanu] Do you still remember your first impressions?

[Princess Margaret] Oh, so much time seems to have passed that I find it difficult to recall! For me it was coming home. Nevertheless, I didn't feel at home—there was mystery and violence. I always wanted to do exactly what I was doing, to come here, but I was trying to remain detached so that I could think objectively and see what we could do to help people.

I talked to students; they said, no, we don't need help, but tell us, what does democracy mean? So we created the "Margareta Foundation." Initially we intended it to be more for the villages, but we realized that the Romanians wanted their culture and history, that the young people were not interested in material things but in their true history and in how democracy worked before. Experts also needed to be trained in agriculture, in the economy, and in telecommunications; there were health problems and the issue of the orphans (about whom we knew before).

[Adamesteanu] So what is the structure of the Margareta Foundation and when was it registered?

[Princess Margaret] The foundation was registered in August 1990 in Switzerland, but we began working already in January. Together with my sister we organized convoys—tons and tons of aid. During this time my father was doing an enormous amount of work, giving speeches, correspondence—if people write to him, he replies. Evidently some letters were censored, because some people asked why we didn't answer them. Because we didn't get their letters. In some cases it may have been not only the censorship, but also the disarray of the revolution. The foundation was registered first in Switzerland because we wanted to secure the Swiss federal control (which is very particular and strict) to ensure that there was no diversion of funds. According to Swiss law, only 10 percent may be used for administration, the rest is for projects and for the country. Then we registered it in Romania and later in England (where there is much love for Romania) and in the United States, in New York. We also have support committees in Belgium and France. I am very happy about these registrations, because we had to find a way of channeling the funds received from those who wanted to help Romania. And people have confidence, they say: "You are the royal family, therefore you are honest." It is true that there are also people who will have nothing to do with us precisely because of that, for political reasons. Of course, the world has other problems, too, at the moment: the Kurds, Iraq, the Philippines. We have many projects at the Foundation and not a lot of money. After the miners no one wanted to help Romania anymore.

[Adamesteanu] So you noticed a difference in the attitude toward Romania before and after 13-15 June 1990?

[Princess Margaret] We saw an enormous difference, like day and night. But my work and mission is to persuade those who can give money that they are giving it for the Romanian people, for the youth and the children, not for the old structures. We are working on many projects, but three of them are particularly well advanced. The first is a medical project involving the Branesti clinic. It is a pilot-project (that is the "philosophy" of the Foundation) that can become a model for additional ones; the Romanians can then build more similar ones. It needs to be integrated in the Romanian medical culture. So we are restoring the building, installing modern equipment (the sterilizers, for example were from the 1930's), a

good dentist, a video room with short educational movies—on AIDS, child care, first aid for cuts, etc. Everything for the people of Branesti, with local physicians and local people, but with material backing from outside, which however they can manage themselves. I don't want to impose foreign structures on them. The other project is to send a hospital to care for children with AIDS, which later can be turned into a hospital for contagious diseases. And the third project concerns Romania's Art Museum, which was destroyed, and its restoration workshop. We send people there for two years, but the Romanian artisans and artists can then continue working in their profession, thus developing Romanian personnel. In addition, there will be programs for cultural exchanges, scholarships, etc. We gave 1 million lei in aid for the victims of the natural disaster in Moldova, a quarter of a million in aid for children, and we are preparing a small aid convoy.

[Adamesteanu] In the past year you came several times; did you notice any change, I don't know whether I can call it...

[Princess Margaret] Progress? Yes, I think the word may be used. Previously, since Romania was forbidden to me, it was a country both familiar and unknown. But from the beginning I could see the pain with my own eyes. It was visible, on the surface....

[Adamesteanu] So, although you had experienced poor countries, Third World countries, our country still moved you....

[Princess Margaret] Terribly. It was truly shocking. Atrocious. The signs of suffering were both very visible and very profound. First, the city scars: The city was like a beautiful woman disfigured, torn apart after a car accident. It also seemed symbolic of people's psychology. I saw people who had nothing to eat, I saw lines, I saw fear...so and so was said to be a Securist....

[Adamesteanu] Nervousness and suspicion?

[Princess Margaret] The lies I was told, the rumors, the stories, the gossip. The same as in exile. But the Romanians must resolve this hatred for the other, for others.

[Adamesteanu] So what are the signs of change, of progress?

[Princess Margaret] I saw people being less afraid. When I was in Moldova before, people didn't talk much; now they say what they want. Evidently, some people are still afraid. But I saw that those who are not afraid (like Mrs. Mezincescu), are not made to pay for it. I may be wrong, someone may yet kill me one day, but it seems to me that there are increasingly fewer such occurrences. There is also a great difference between the generations: the young generation, the 16-25-year-olds, is a miracle (I can't think of another word); they are pure, brave, intelligent, and frank. It's extraordinary, it's hard to understand how they came out like this. They must be helped. To ensure that they don't become like the others,

like those of my generation. This seems to me to be one of the most important things that must now be done here: rebuild the country with the youth. Reconciliation and hope. We cannot continue to fall into this state of war: "You can't talk in front of so and so, you must not tell so and so." I tell them: "That's enough of that, in our home you cannot say anything about others." My father is more indulgent, he is like a poet. He listens to people, but he doesn't like criticizing, he finds that it is not constructive. That so and so is with the Securitate, that...

[Adamesteanu] But doesn't Your Highness think that that, too, may be dangerous, that corrupt people or people who have been exposed may thus be promoted and pushed to the fore? Don't you think that people may become depressed to see either the same people or the same type of people in key positions, and may ask themselves: So what's changed?

[Princess Margaret] You're right, but that's another issue, an objective one. But if the people who are not spies, not discredited, and not corrupt are also fighting among themselves, then there is no hope left. If even the people who didn't do any evil, or only a very small one and can thus be forgiven, are fighting among themselves, nothing can ever be changed here. Precisely because all the others are fighting among themselves. The power is still in the hands of the same people as before.

[Adamesteanu] I would like to hear Your Highness's opinion about the minorities, especially in view of your experience as a sociologist and as a citizen of Europe.

[Princess Margaret] As a citizen of the world. What I can tell you is that when intolerance and racism are growing they can no longer be stopped; that's the danger. In the 1930's racism devoured the democratic institutions of Germany, Romania, and all of Europe. A wave of racism swallowed democracy up, and this kind of thing can happen again. And if such a thing were to happen here, every Romanian will suffer. Intolerance—toward an ethnic or social group, or toward a religion—can destroy a nation. That is why it has to be stopped.

[Adamesteanu] Do you see around you such signs of intolerance?

[Princess Margaret] Yes, I see and I hear signs of intolerance toward Hungarians and toward Gypsies. I have seen newspapers with the same vocabulary used in Germany in the 1930's. They're writing incredible lies. We, too, are among the victims of such lies. And I think that in the coming few months there will be even more attacks from the right-wing press, because as the king becomes increasingly more popular, the attacks will multiply. One can predict the cliches in advance: They will perhaps say that he has stolen, has committed crimes, just as they are saying about me that I have an illegitimate son and daughter. This sort of thing doesn't affect me, but it saddens me, because there are people who believe them.

[Adamesteanu] Do you think that these calumnies are spontaneous, or (as many of us believe) do you think that it is an organized campaign staged by the Securitate?

[Princess Margaret] I don't think that it is spontaneous, because this kind of behavior is not typical of human nature. This is the outcome of years and years of terrible pain, like a body left without the protection of its skin. I can understand very well that in order to be able to afford the luxury of tolerance one needs to raise the level of material comfort. Intolerance, hatred, and diversion help evade the real problems of this country. Instead of struggling together for the country's welfare, the country is being splintered up. I am convinced that what can help Romania is a national figure—like you have in Czechoslovakia or Poland. Hungary had a higher level, East Germany is helped by West Germany, in Yugoslavia there is no such thing—and you can see what's happening. In Romania there is none, because the king is not allowed to return and there is the risk...

[Adamesteanu] The risk of witnessing dangerous political developments?

[Princess Margaret] I think that Romania is running the risk of Peronism.

[Adamesteanu] Meaning a right-wing dictatorship.

[Princess Margaret] Not only, but a mixed populist dictatorship. A very sad twilight. That is why I think a reaction is urgently needed. The people must not listen to the diversions and there must be protest every time. It's difficult, I know. Also, people's fears must be heard. Because people are afraid that they won't have anything to eat, that they'll lose their jobs, people are afraid of inflation and of unemployment. Each of the countries in the East has the same problems and each nation must devise its own means of dealing with them. There are industries that can be changed and developed. Romania is a rich country, it has agriculture; tourism can be developed. But people must be able to hope that the future will be better than the present.

[Adamesteanu] And people must be taught to work differently. Can people still change after a certain age?

[Princess Margaret] Yes, although it is difficult. But I have seen people change miraculously. I don't know if indeed large numbers of people can change. Perhaps it's possible.

[Adamesteanu] I would like you to tell us more about the king.

[Princess Margaret] The king believes that he has both a historic and a personal duty to the country. He is ready to return in order to be of help, not for his own sake, and he hopes for national reconciliation. I think that he is the only one who can be convincing regarding both history and the future. But he doesn't want to rush people or to alienate anyone. He does not accept the idea of revenge. His role would be to help the country in its present difficult circumstances and to open it up to credit—in

other words, to help in practical matters. Romania needs a stable change. I am aware of the contradiction between those words. The king is willing to come and work together with everyone, not to exclude this party or the other. For example, if there are good technicians from before, they should be utilized. That is his most important message.

[Adamesteanu] Do you think that the Romanians also have a historic reason to opt for the monarchy, in other words for a royal arbiter, in view of the fact that for a variety of reasons (the relatively recent existence of the modern Romanian state and the historical differences between the provinces) the Romanians' political passions seem to make them difficult to govern?

[Princess Margaret] Yes, the Romanians are individualists, they are a Latin people, and indeed the king would be ideal for a country like Romania, because the king does not dominate, but governs. He is above. He is the figure that embodies the soul of the country. And from a historical viewpoint, he embodies the Romanian traditions. It is both false and ridiculous to say that Romania has a republican, rather than a royalist tradition. First there were the princes, then, when the principalities were united, there was the king; there were parties and there was the government, but he was above.

[Adamesteanu] We cannot go back to the prewar situation.

[Princess Margaret] I hope not, because in the 1930's there was fascism. Not only in Romania, but throughout Europe.

[Adamesteanu] So we cannot think in terms of restoring the royalty in the prewar terms. With which one of the present European models of monarchy (British, Spanish, Swedish, Norwegian, Belgian, or Dutch) does King Michael have affinities?

[Princess Margaret] I think that the Spanish monarchy would be the best example for us. It has a different foundation because in Spain the structures and institutions had remained in place. King Juan Carlos was brought in by a right-wing dictatorship, but he developed the democratic institutions and he ruled with the Socialists without any problem. That is why the monarchy is good, because the government may have right-wing, left-wing, or center tendencies, but the king represents something other than politics. He represents the soul of the nation. I don't think that it's a matter of returning to the prewar situation, but of continuing upon Romania's sound, traditional bases, and it would undoubtedly be a progress.

[Adamesteanu] How do people react to Your Highness, especially recently?

[Princess Margaret] I know that I am not the important factor in the reactions I encounter. Both my sister and I are important because we represent my father. And my father is Romania's returning soul. That's why people are content to see us and why some cry when they see us: because they see Romanian truth returning.

**Deputy Defense Minister Proposed for President**  
**91P20468A**

[Editorial Report] Ljubljana DELO in Slovene on 24 August publishes on page 2, under the heading "Stane Brovet Proposed for President of Yugoslavia," a 200-word report from Belgrade. Correspondent Slobodan Dukic writes that at a press conference on 23 August in Belgrade, Milenko Ribic, leader of the Movement for Unification of Serbia and Montenegro, proposed that Deputy Defense Minister Stane Brovet become the "president of Yugoslavia." He said, on behalf of the movement, that Brovet is the "Yugoslav personality" most suited for the position. He explained: "Slovenes would vote for him because he is a Slovene, Croatians because he is not a Serb, Serbs and Montenegrins because he is not a Croat, Macedonians and Bosnians because they are ready for a compromise."

**Former Tudjman Adviser Letica on Serbian Strategy**

*91BA1014A Ljubljana DELO in Slovene*  
10 Aug 91 p 18

[Interview with former Tudjman adviser Slaven Letica by Janko Lorenci; place and date not given: "Suicidal Serbian Strategy"—first paragraph is DELO introduction]

[Text] The Serbian project for waging war in Croatia is the project of a weakened, shattered state, and military action is only one of its components. Nevertheless, this Serbian strategy is suicidal, and will destroy Serbia even before Croatia, according to Dr. Slaven Letica, a noted Croatian sociologist and a former adviser to Tudjman.

[Lorenci] After Serbia dismissed the European troika, it "permitted" a cease-fire in Croatia. Do you think that this could give rise to a more lasting truce, or has Serbia only temporarily resorted to a ruse?

[Letica] In general, we are living in Yugoslavia in a time of anonymity, and it is very difficult to predict anyone's reactions and behavior. I doubt that the Serbian authorities have any sincere intentions of halting their aggressive campaign against the territories of Croatia and Bosnia-Hercegovina, and also Slovenia, Macedonia, and Montenegro. It is probably a tactical maneuver, an attempt by Slobodan Milosevic and the military-conservative stratum to use fictitious pacifistic offers to neutralize the sudden and radical internationalization of the Yugoslav crisis, and ensure their own domination within the framework of the already existing Federal institutions.

[Lorenci] In a manner of speaking, Serbia is invulnerable within the framework of Yugoslavia, and it is probably transferring that position to its attitude toward the international community and toward internationalization. It was also for that reason that Milosevic treated the troika so insolently during their last visit. It is probably not purely irrational. The internationalization of the

Yugoslav question has its upper limits, and above all, it is a relatively slow process, of course, because of the differences among the Twelve, because of the Soviet Union, which is always more openly "pro-Serbian," etc.

[Letica] Milosevic's position really is comfortable. In the last month, the JLA [Yugoslav People's Army] has been almost completely Serbianized, and the non-Serbian portions of it have been subjected to repression, both directly and indirectly. Milosevic is therefore controlling the Army, and he is aware that he would win in open warfare in all parts of Yugoslavia. Personally, I do not count much on his political reasoning; he acts according to political instinct, anchored in traditional Greater Serbian and Bolshevik political rhetoric and philosophy. Milosevic and Serbian policy consequently do not have a lot of intellectual potential, but in any case they now have a great deal of support in the Army's intellectual potential—for waging a special war and creating war hysteria and motivating the masses for warfare. In this regard, the entire sector of the political administration, the entire unemployed JLA counterespionage service, and other parts of the Army are now at the disposal of the Serbian regime. It has some professional advantages in this over Croatia, Bosnia-Hercegovina, and Montenegro. As far as Slovenia is concerned, the Army leadership was surprised by its ability to professionalize and organize a defense system quickly, a characteristic intelligence and information system, and to do an excellent job of presenting the war in the media.

[Lorenci] Even though Milosevic's headquarters does not have a lot of intellectual potential, it does have clear and essentially simple strategic goals, and this is one of its strengths. It is already completely clear now that a "Greater Serbia" is the absolute minimum for Milosevic's political survival. That Greater Serbia also includes part of Croatia, which certainly cannot yield on this. That very fact indicates that an agreement between Belgrade and Zagreb is impossible.

[Letica] In general, I doubt the possibility of an agreement being reached between Belgrade and Zagreb, since the ethical systems standing behind them are too different. The Croatian side tries to respect agreements, and thinks that it is possible to negotiate honestly with the other side. The Serbian side thinks that negotiations are only a means of gaining time and other political maneuvers. That is why I have believed from the very beginning that Croatia has to solve its problems either internally, or in talks with Bosnia-Hercegovina, Slovenia, and the European Community. When the political situation in Croatia is stabilized, of course, it is possible to agree to talks with Serbia as well, but from the standpoint of two sovereign states, internationally recognized if possible. Experience indicates that talks before that will only hurt Croatia.

[Lorenci] For a while it seemed that President Tudjman was seriously trying to reach an agreement with Serbia on a partition of Bosnia.

[Letica] Studying that as an option is legitimate in politics, but such a solution is politically unacceptable to Croatia, perhaps even to Serbia, and certainly to Bosnia-Hercegovina. In my opinion, the EC should do several things at this time. In the first place, it should formally, and within the framework of an appropriate institution, recognize internal and external Yugoslav borders as Helsinki European borders. In the second place, it should recognize Slovenia and Croatia as sovereign states, and recognize other Yugoslav states which meet the necessary basic conditions (their own declarations of sovereignty and their own constitutions). It would be ideal if Serbia also joined in this process of confederalizing Yugoslavia. If not, it could declare itself, together with Montenegro, to be Yugoslavia, i.e., some sort of socialist Yugoslavia. In the third place, the EC should decide and make serious preparations to send peace-keeping forces to Yugoslavia to mediate in conflicts among the Army, Serbia, and other Yugoslav states. Only decisions like those could prevent not only Croatia and Bosnia-Hercegovina, but also Slovenia secondarily, from turning into a European Lebanon. Europe has dreamed utopian dreams about Yugoslavia the whole year. Now, when it has been firmly confronted with the first real military crisis in its own region, it has awakened, and I think that it will remain highly interested in settling it.

[Lorenci] The question of whether it will also be prepared for military intervention, and when, remains open. In any case, in the final analysis it depends primarily upon Croatia itself, upon its tenacity and resistance, how it will survive the increased Serbian pressure until possible international mediation.

[Letica] Certainly. Look, the strategy of the attacks against Slovenia and Croatia was different. The blitzkrieg in Slovenia was metaphorically associated with the Bedem document. The guerrilla project of the warfare in Croatia is associated with the project of a weakened, shattered state. It is a project in which military action is only one of the components, and not the most important one. The strategy of the Greater Serbian attack against Croatia includes the following elements.

The first is very bizarre in nature, and is derived from the fact that Croatia does not produce weapons, but Serbia does, and the war is therefore economically strengthening it. The second element is the strategy of creating transportation chaos in Croatia. The third element is the destruction of Croatian tourism, and the fourth is the general theft of Croatian property in Serbia. Next, there is the creation of inflationary money, through the uncontrolled primary issuance of money, which is being used partly for the Army's needs, and partly for financing the Serbian defense industry and the insurgent part of the Greater-Serbian forces in Croatia. If we connect all these elements, it is a strategy for the general creation of chaos. That strategy, however, is suicidal, in the sense that even before Croatia it will destroy the author of that strategy, i.e., Serbia. Its planners are not aware of all of its implications: absolute

poverty and absolute hopelessness of escaping from people's chaotic and uncontrolled behavior. Lebanon has been in such a situation for years, and we have not yet gone that far. When war broke out in Croatia and there were several coordinated attacks, it seemed for several days that the goal of the Army and Greater Serbian policy had been achieved—that the whole government would be overcome by chaos and Tudjman's position would be threatened. After two or three days of political crisis, however, Croatia is now stronger than it was during the last six or seven months.

[Lorenci] In a way, then, the military crisis has benefited Croatian democracy, and at least to some extent weakened the firm grip of the HDZ [Croatian Democratic Community]?

[Letica] Absolutely. A crisis is a moment in which a system either collapses or begins to recover. Several positive processes have arisen from the crisis that threatened the collapse of the Croatian political system. The opposition gained legitimacy, and essentially a more comfortable position for action. We gained a better government. In the third place, the position of the president of the republic is technically weaker, but actually stronger, since from now on he will have to take the opposition into account. The media were even freed from the grasp of the party in power, and so Croatia has the opportunity to fight Serbia's imperialist policy, and, which is most important, to try to settle the interethnic problems even in wartime.

[Lorenci] You have written that Tudjman also has his dark and light sides, and that his dark side is being manifested more now.

[Letica] I was talking about certain political decisions of his before the latest crisis. It is a characteristic of his that he shows more tolerance in crisis situations than when there is no crisis. His latest decisions on forming a new government and on relations with the EC are thus reasonable. We could say of Tudjman that he acts normally in serious crises, but in situations without a crisis, since he feels too secure and self-satisfied, he makes wrong decisions or has incorrect attitudes, for example, toward the opposition, intellectuals, or the institutions of a civil society, because he believes that the measures of convenience and obedience are always more important than the measures of ability and professional ability.

[Lorenci] And thus, as a rule, he has surrounded himself with unfortunate individuals?

[Letica] The basic problem is conceptual in nature, and not so much a problem of selecting people. When I was in his office (as an adviser—Lorenci's comment), we were faced with the dilemma of whether to have a small presidential office with at most five, six, or seven advisers who would mean something in Croatian intellectual and political life, and who would be real professionals in the principal fields, or to create a large bureaucratic superstructure with civil service ranks and

fictitious work discipline, and without the slightest internal creativity. I think that the latter has happened; we acquired an institution with around 30 quasi-advisers who produce civil servant ideas and civil servant reasoning. This was the basic political mistake, and I do not know whether Dr. Tudjman made it or whether it was done on his behalf and without his involvement.

[Lorenci] Did you come into conflict with him?

[Letica] No. There has been a great deal of speculation about this in the Croatian press. Tudjman and I agreed that I would remain until the beginning of the year, and then I extended the "contract" for another two months. In March, when I left, the situation was relatively calm, and it seemed to me that the people who were working in the office could do the work in individual specialized areas better than me. Consequently, it was no longer necessary for me to keep getting my pay. There were no major disagreements.

[Lorenci] You were a nonspecialist, Tudjman's general adviser. You had a great deal of power, and a great deal of influence upon his general orientation.

[Letica] Yes. Dr. Tudjman needed a conceptual adviser, and that was the role that I played. It is the same as in medicine: either you have a capable general practitioner, or five specialists. The circumstances were such that they decided on the second possibility, in which the specialists were not suitable, so that the quality of the intellectual support backing up political decisions in the last six or seven months has declined, in my opinion.

[Lorenci] You are no longer Tudjman's adviser, but it seems that you are now a sort of public adviser. You have been conducting a number of round tables on Croatian television, through which you seem to be trying, on one hand, to give political advice, and on the other, to calm and inform the "populace," which is rather bewildered and frightened, by publicly discussing all the issues.

[Letica] Television is a human medium, which has very simple functions: informing, instructing, and entertaining the public. Since the times are not exactly suitable for entertainment, instructing and informing are left. That is the concept behind those round tables, which usually end with answers to the question, "What now?" If politicians watch those broadcasts, they can be a sort of landmark for them, just as they can be a landmark for the so-called little man, to see whether what he thinks or does not think every day corresponds to what the so-called smart people think.

[Lorenci] Since we are now talking about Croatian television, it seems that its coverage of the war had two very different images. During the first few days it showed events in a completely defeatist and almost masochistic manner: only dead internal affairs troops or fleeing Croatians. Then it was probably realized that this was counterproductive for both the domestic and the foreign public, and it shifted to the other extreme: showing the

upright National Guard, reporting small or no Croatian losses, etc. Since the shift was so abrupt, perhaps the new portrayal of the war is not very credible either.

[Letica] I agree. Television was completely unprepared for the war—in terms of both filming and reporting—and it did not even have any conceptual reasoning that could plan all the elements in media activity in a war situation, all the way up to censoring some war scenes—whether you can show a close-up of the hacked head of a casualty, which is prohibited by most foreign television codes of ethics; here, however, people were then surprised when BBC did not broadcast certain pictures that we sent them. It could not, because it is prohibited. Television thus had an irrational attitude toward censorship. It simply neglected to show the truth on the other side of the barricades. In the last 10 days, it has improved this, and the Croatian public can thus once more get a complete picture of the different sides' views of the war. Television coverage is becoming more professional, at least on the journalistic, reportorial, and pictorial level. As far as conceptual planning and the overall media presentation of events in Croatia are concerned, it is a cancerous wound for both Croatian politics and journalism. It is not a coincidence that the position of information minister is one of the two unoccupied ministries that were left empty in the new government. Those who would be best for that position did not want to accept it, because they do not want to lose their journalistic reputations; and those who would have wanted to accept it are not the best.

[Lorenci] It seems as though not just television, but Croatia in general was not prepared for the war. It seems that it embarked upon independence without a clear strategy.

[Letica] That is true. Croatian politicians publicly stated what they personally sincerely wanted; they thought that through negotiations with the Army and Milosevic, they would avoid the worst and that there would not be any war in Croatia. The average Croatian citizen was also convinced of this, and deeply trusted and still trusts Tudjman and Mesic above all. Even during the war in Slovenia, the average Croatian still did not realize that at that time Croatia was also already at war—without military operations, to be sure, but already with all the psychological preparations for it. Now it is only being confirmed that Milosevic was only using the talks with Croatia to win time for preparations for the war, whereas Croatia understood them as real political talks. Milosevic was only buying time so that he could prepare the Serbian population in Croatia for this, so that a real guerrilla force could be born from it, and so that Serbia and the Army could arm that guerrilla force, and then joint action could begin.

[Lorenci] The Army as a whole has not yet gone over to Milosevic's side, at least not openly.

[Letica] The Army has gone through a long process of an identity crisis, but at the same time it is also a pragmatic

institution. The more rational part of its leadership (Kadijevic, and partly also Brovet and in the background, Mamula as well) is aware that Yugoslavia was a sort of golden goose for the Army. Slovenia and Croatia were the Army's most important financiers, and in spite of everything officers lived most comfortably there, and so it was also very painful for the Army to give up on Yugoslavia. The Army would prefer Serbian domination in Yugoslavia, and Yugoslavia as a budgetary or state framework. Milosevic and the people who are more radical, however, want to have a Greater Serbia, and Serbian army boots in that Greater Serbia, which can have different borders. This has to do with a purely mathematical question: How much of the present Yugoslavia should be amputated so that not a despotic, but rather a democratic Serbian state could arise in 50 to 100 years.

The Serbs constitute a third of Yugoslavia's population. Consequently, they cannot dominate in any democratic situation with the existence of national parties without some sort of formalized coalition, and that is why Milosevic is trying to create a Serbian-Muslim coalition, which, as far as his domination is concerned, is illogical in terms of both history and interests. The Serbian leader thinks that through the amputation of Slovenia and part of Croatia, he would ensure domination, since he would "abridge" Yugoslavia to 15 million or so inhabitants. Because of the declining Serbian population and the increasing Albanian and partly Muslim population, however, that calculation will never come out right for him. In 10 years or so he would find himself in the same position again. Thus, for him and for the other non-Serbian peoples in Yugoslavia, the best solution is the emergence of several independent states (how many is the question), which would be reintegrated through European integration processes, but with completely different relationships, both formal and substantive.

[Lorenci] That kind of thinking is beyond Milosevic's intellectual horizon, however. Such a solution is only possible after Milosevic.

[Letica] Certainly. The first elections after the collapse of communism, in any case, are not elections that would determine the outlines of the political parties and the types of the political systems that will be in effect here. A period without war will have to pass, which will last at least two or three election cycles, in order to reach a normal configuration of party structures, both in Slovenia and Croatia, as well as in Serbia, and in order for these ideological and ethnocentric parties to turn into normal ones. Foreign observers cannot understand at all the fact that in these republics all parties have ethnocentric orientations. The reason is very simple: We do not have social structures that could be the basis for modern European parties.

[Lorenci] Could Croatia get along without Tudjman at this time?

[Letica] I think that it cannot and should not do without Tudjman, since in that case it would return to an anomic situation. Tudjman is Croatia's legitimate president, and Croatia's first priority is the defense of its constitutional system. I also think that Tudjman is a very capable politician, although with the faults that I have already described for DELO.

[Lorenci] Nevertheless, it would be better if a time came when Croatia no longer needed a charismatic leader.

[Letica] There are many types of charisma. Certainly Croatia did not need Tudjman's authoritarian charisma during the past year, either. We need the professional charisma of a modern postcommunist politician. Let me state a compliment, which is something that I certainly do not scatter in all directions: Kucan is certainly the most genuine postcommunist politician in all of Central and Eastern Europe, i.e., a converted communist politician, who has been able during the postcommunist period to cast off his own Bolshevik characteristics and, in a small people, develop into a real statesman. That is an important difference in comparison with certain other politicians who have been created by the media (Yeltsin and Gorbachev), and especially in comparison with obscure individuals like Markovic or some others, like Havel, who are not professional politicians. Consequently, it will be necessary to go through several election cycles before a postcommunist political infrastructure with professional politicians heading it can emerge. The first generation, which destroyed communism, had to have characteristics that are not necessarily the characteristics that have to be possessed by the people who will build postcommunism; in general, the characteristics of destroyers and creators are not necessarily the same.

#### Reasons for Dismissal of Croatian Official

91BA1072A Zagreb *DANAS* in Serbo-Croatian  
20 Aug 91 pp 12-13

[Article by Zeljko Ivankovic: "Departure of the Mysterious Mrsic"]

[Text] The biggest deal which any Croatian enterprise has been able to conclude with any foreign trading partner was finally supposed to go into effect on Tuesday, 20 August. This was the sale of Dalmacijacement to the Italian trading partner Castelstruzzi, and the Agency of the Republic of Croatia for Restructuring and Development, referred to as Mrsic's agency, played an immense role in the entire transaction. Zdravko Mrsic will no longer be involved in the transaction, because the day before, on Monday, he turned his job over to a new (acting) director of the agency, Jurica Pavelic, the director of the Fund for Development, which is closely related to the agency. Removal of Director Mrsic by the Government of Croatia is said to have been "expected" by one reputable newspaper, although it previously did not hint in a single line that this could or should happen.

Obviously, the newsmen know something or are making a guess, but they are not writing it or are unable to verify it.

What lies behind the departure of the mysterious Zdravko Mrsic, the first foreign minister following institution of the multiparty system? When he lost that position, and that occurred during the first major reshuffling of the government, it was said that he had been demoted. But when Mrsic came to head the agency, he actually came to have at his disposition almost the entire economic potential of the republic, which is estimated at \$30 billion. To back up the idea of the power and strength of the director of the agency for privatization of the economy with something more than a mere number, it is not a bad idea, although a bit awkward, to recall that the first victim of a political assassination in Germany following unification was precisely the director of a similar agency for privatization of the East German economy. Was Mrsic's "expected" resignation the consequence, then, of some major showdown in business or politics, or was he removed simply because of incompetence?

#### Past Service and Background

Who is Zdravko Mrsic anyway, and how did he emerge on the Croatian political scene? He is one of the most outstanding emigres to return to the homeland after reestablishment of a multiparty government. He went abroad back in 1972, supposedly for economic reasons. He is spoken of as a successful businessman who had his own enterprises in Canada and France. It probably will never be revealed how much he contributed, but he certainly contributed something, to the election campaign of the Croatian Democratic Community [HDZ], nor will we discover whether he obtained his high political position on that basis or through his abilities and influential connections. It is said that he was supposed to give up the post of foreign minister without compensation, but the Jesuits, the story goes, interceded on his behalf with Cardinal Kuharic, and the latter conveyed their interest in Mrsic to Tudjman so Mrsic was not altogether eliminated.

While he was abroad, they say, he had close ties with the supranational intellectual Catholic organization Opus Dei and that is said to account for the Jesuits' interest in him. Mrsic, who has an M.A. in the natural sciences and mathematics, certainly has some ties with the church, but it is not very likely that his alleged family ties to some church dignitary played any great role here. Be that as it may, if the three fundamental reasons for the election victory of the HDZ were the profound frustration of Croats with their position in Yugoslavia, the unification of the Croatian emigre community and the homeland, that is, the support of the emigre community, and finally support of the church, Mrsic was firmly rooted in at least two of these three factors. But it is hard to account for the "anticipated" removal in terms of these stories.

Now, Mrsic himself is very much to blame for those stories, above all because all of his affairs, however important, were still more concealed from the eyes of the public. He remained a very short time in the post of foreign minister, and the most intriguing thing recalled from that period, although not the most important, is that in the military film *Spegelj* mentions him as a collaborator in the importation of arms. Later on, no one pointed a finger at Mrsic in connection with that affair, not even the Army, and *Spegelj*, who was, to be sure, charged with organizing an armed rebellion, had to be protected both legally, with immunity as a member of the government, and certainly with armed guards as well.

#### Rumors About Percentages

While Mrsic's activity as foreign minister was to some extent public, because his trips abroad not only could not be concealed, nor do they dare conceal them all (they greatly contributed to the image of the new government), as director of the agency for privatization he virtually moved his entire operation underground. During the period of some kind of peace, the public was trying to penetrate Mrsic's activity, but utterly unsuccessfully. In the long view, privatization of the economy, however, is the most far-reaching infrastructural undertaking in Croatia, an undertaking required by law but placed on the shoulders of only some 20 people employed in the agency. It is true that recently Mrsic had begun to establish the agency's regional offices. But because the job of agency employees is not only immense, but also highly sensitive, because an incredibly large amount of money is circulating in it, the word was put out that the agency's employees did not have high salaries at all, only in the relatively modest range of some 20,000 dinars. Although in this state of the economy that is something the ear of the public is perhaps ready to hear, in the world at large the pay is much higher for such sensitive jobs so that employees are made unbribable as much as possible. But actually, the only time when the agency is not involved in any serious business is in the transformation of enterprises assessed at less than 5 million German marks.

The only barrier to the spread of stories about briability and kickbacks in the transformation of enterprises, which actually amounts to their sale, would be maximum possible public scrutiny of the proceedings. Arriving after a long stay in the West in a community which had chased the Communists from power largely because of stories about their embezzling, business fiascoes, and unlawful enrichment, Minister-Director Mrsic, obviously uninclined to spread out his work for examination of the general public, was not very nimble in handling a sensitive environment.

But the fact that Mrsic was not very inclined toward that public is a small problem. The greater difficulty is that when it comes to transformation, but in other areas as well, that public was ignored by both the Assembly and the government. If one carefully looks at the Law on

Transformation of Enterprises, one easily spots the sections which foreigners recognized as being "too well badly drafted" for it to be an accident. Some even went so far as to compare it with certain laws in Latin America.

In conceptual discussions of the historical task of privatization of socialized property, domestic specialists mainly criticized the conceptual shortcomings. Because it goes through the agency, transformation actually results in control over socialized property, that is, it is nationalized, runs the first major objection. The second is that there simply is not enough money in the country for this method of transformation, which is through the purchase of socialized property rather than through the distribution of shares. Remittances from abroad, not only now, but also formally, at the time when the law was adopted, have been simply an illusion because of political instability.

Those who drafted and sponsored the law have had their theoretical answers to those theoretical objections. To the first, that the state must control transformation because of the possibility that socialized property might be plundered not only by individuals, but also by those in Serbia. However, this did not protect the property against theft by those in Croatia and abroad whose good intentions the public believes in almost without reproach even to this very day. And Minister Mrsic had the image of a world-class businessman. The brief response to the second objection was that property could not be given away. But that means that the transformation will last years, the time it takes to accumulate the money.

#### Retreat Refused

The third essential thing is the fact that the agency was not specifically subject to democratic institutional oversight. The agency was required to report to the government on its work only every six months, that is, once again to a small group of people preoccupied with their own affairs which at certain points overlap the affairs of the agency. Did Mrsic abuse these deficiencies of the law?

The last meeting of the Manolic cabinet took up the report on transformation of socially owned enterprises, which indicates that the agency had instituted a managing board, a kind of receivership, in 24 enterprises in Croatia on the basis of the law's disputed Article 42. This made it possible for the agency to remove the professional managers in the enterprise even for such an absurd and vaporous reason as disrupted human relations. It is no wonder that there were great upheavals in many enterprises where the managing board was instituted. There was an immense reaction to the fact, absurd to say the least, that the managing board in GLAS SLAVONIJE was headed by Branimir Glavas, while in "Brodkomerc" in Rijeka, Mrsic's administration even called on the police for help in ejecting an insubordinate director from his office. That is, convinced of the unlawfulness of certain decisions of the managing board, he

had taken its members to court, and they removed him. It is obvious that in the conflicts of local clans within enterprises the agency at times took sides, perhaps even uncritically.

Mrsic, all the daily newspapers let it be known between the lines, was not obedient. A managing board was instituted even in "Pliva" in Zagreb, a successful enterprise whose privatization is a huge tidbit. Even though in a meeting of the Supreme State Council, which at that time was still powerful, the position was taken that people in the government should not have seats on the managing boards of enterprises because of conflicting interests, Zdravko Mrsic himself is no doubt still a member of the managing board at "Pliva." He seems to have done this almost out of spite.

That kind of persistence surely has a solid background. Is this a man so convinced of the propriety of the way he operates that he has not allowed himself to be bothered with vague political recommendations? Or on the other hand is he so convinced of his power and untouchability? Perhaps he was so involved in some kind of business that he passed the point of no return. The government which removed him, just like the one which appointed him, which gave him immense powers, and which did not pay particular attention to him, owes the public an explanation.

When the report appeared in AS of Sarajevo that Minister Mrsic was taking immense kickbacks and had for that reason been blacklisted in Italian political circles, Minister Mrsic denied this report, which reached the Croatian press by roundabout ways, by saying that "a foreign ministry had been misused in a nonsensical attempt to compromise him." Nevertheless, since that time he has been occasionally followed by malicious and never strongly substantiated nicknames such as "the Croat 5-percenter" and "Mister 10 percent."

In the meeting of the government at which he was removed, that item of the agenda passed without discussion. It is said that he was offered an honorable retreat (he could have submitted his resignation, which supposedly was offered to him as a way out a few months ago, but he did not accept it, either for political or personal reasons. Does he intend to continue his political career, or was he unable to leave without leaving scars on the faces of others as well?

Whatever the intrigues and revelations concerning Zdravko Mrsic, the fact is that neither the government nor other political structures have responded to his mysteriousness and exclusiveness in a job where public scrutiny was urgently necessary by displaying an appropriate openness. In spite of the fact that newsmen have been describing his removal as "anticipated."

**Macedonian Sovereignty, Economic Damage  
Discussed**

*91BA1072B Zagreb DANAS in Serbo-Croatian  
20 Aug 91 pp 26-28*

[Interview with Stojan Andov, president of the Assembly of the Republic of Macedonia, by Dejan Jovic; place and date not given: "Macedonia Has Been Plundered the Most"]

[Text] Our first question to Mr. Stojan Andov, whom we interviewed from the Republic of Macedonia, was about Macedonia's national interests.

[Andov] Ever since the election, most of the political parties in Macedonia have concurred in the concept advocated by our leadership. First of all, consensus exists over the need to affirm the statehood of the Republic of Macedonia, on its establishment as an independent and sovereign state that can enter into an alliance with other sovereign states of Yugoslavia. That is, a majority of the parties think of Macedonia as an independent state which is itself capable of making decisions on its interests and which only as such could enter into association with others. Democratic and open relations with neighboring countries are our second common goal. That is, Europeanization in this part of the Balkans. Moreover, territorial integrity is not to be violated, neither our own nor that of our neighbors. Then we are striving to make contacts with ethnic minorities so that even Macedonians outside Macedonia, and they number more than half a million, will have spiritual ties with the Republic of Macedonia. We can do all this only as an independent and democratic state constituted in accordance with European standards—economic, cultural, and political.

[Jovic] If the confederal model is really dominant in Macedonia, do there nevertheless exist in Macedonia other political conceptions: unitarist, federalist, or anti-confederalist?

[Andov] All the parliamentary parties stand behind the Gligorov-Izetbegovic platform. Outside the parliament, however, there are certain parties which have not taken a position on this. But for the present we do not look upon those parties as any serious political force which might threaten our platform.

[Jovic] The decision to schedule a referendum in Macedonia envisages first the accomplishment of independence and then establishment of ties in an alliance of states. Do you think that that is possible in Yugoslavia today?

[Andov] We think that it is, that that is realistic.

[Jovic] I ask you this because last week Mr. Bucar declared in this same series of interviews that the confederal option is no longer acceptable to Slovenia. In Croatia, on the other hand, there are significant divisions of public opinion, but it is less and less inclined toward that kind of political alliance.

[Andov] You see, the worst thing is that the negotiations concerning Yugoslavia's future never even began and that many responsible people think that the decision concerning that future can be made with weapons. And unfortunately that is also the judgment of a segment of public opinion. But that is the worst possible way to carry on politics, and we are certain that it will be short-lived. What is happening now only means a loss of time, a loss of human life and property. We do not believe that this can be resolved with weapons. And we are waiting for others to realize this as well—then there will be negotiations. And it is only in the negotiations that we will see what Bucar thinks, what is the thinking of public opinion in Croatia, which is divided, just as it is in Serbia and elsewhere. You know, it is no accident that war is being waged in Yugoslavia, when the reason is that everyone is establishing his policy in advance. But most of those political positions and modes of behavior in our country are uncompromising and constitute ultimatums. No one retreats even a millimeter, even when it would be smart to do so. Those statements we hear today are based on what are called the "strong positions" of particular republics. But I do not believe at all that those positions are really strong. All those who think that they are so strong that they need not negotiate, that they can sabotage the negotiations, will lose.

[Jovic] But negotiations in Yugoslavia have been going on for months, and the results are worse and worse—more and more dead and wounded.

[Andov] There are no negotiations in Yugoslavia, they have not even begun.

[Jovic] What, then, has been happening in those meetings of the republic presidents, if it was not negotiation?

[Andov] No, no, there have been no negotiations. Not a single problem, not a single issue has been taken to the end. There have been no serious talks about anyone's proposal as yet at all. Slovenia, for instance, proposed a customs union—and what then? No one either disputed it nor proposed anything else. People were listening, but they did not reply.

[Jovic] Where, then, do you see the guarantees that those same people who have been behaving that way can now negotiate effectively?

[Andov] Listen, all those who think that they can do something with force will soon experience disappointment. Very quickly. And after that, I really do not care whether the same political team or some other team will sit down and talk. But I am certain that military force and pressures have nothing at all to do with successful politicians.

[Jovic] Do you think that this has also been realized by those who are using weapons?

[Andov] I do not know, I am not certain.

[Jovic] Tell us, does Macedonia have any contingency in reserve if Yugoslavia should not survive as an alliance of states?

[Andov] Certainly. If there is no alliance of states, we will strive to establish good relations with each of the states in the Yugoslav region. Why not, these are not savages who live here. If no one wants to enter into an alliance with us, then we will attempt to live as good neighbors with everyone. Why not?

[Jovic] Is it possible for six states to agree on a civilized life together when today they are referring to each other as occupiers and enemies?

[Andov] If anything can be achieved, then it can be achieved only by agreement. Everything else will come to nothing. Only what results from an agreement can survive.

[Jovic] What is your assessment today of the possibility of the Macedonian and Bosnia-Hercegovina platform being accepted?

[Andov] We are not thrusting that platform on anyone, but it certainly will be a subject of discussion.

[Jovic] Is Macedonia ready to accept—and to what limit—movement in the direction of other concepts that have been offered?

[Andov] First of all, Macedonia wants only to negotiate about its own interests. We agree only to that kind of discussion. Second, we accept everything that could Europeanize this region and that could eliminate the possibilities of new conflicts. We will consent, however, only to what represents a clearly defined standard, the customary standard in European politics, for mutual relations: for example, in the area of human rights and rights of ethnic minorities. Everything that is outside those standards is illegitimate and constitutes a pressure on the other parties to the negotiations.

[Jovic] If an alliance of states should not be possible, do you think that Macedonia's positions at the outset—in both economic and political terms—are sufficiently strong that you could withstand the trials of independence?

[Andov] Of course! Why should those who place their trust in military force be able to do so, and we who advocate peace and democracy not be able to survive?

[Jovic] What is Macedonia's economic future in that case?

[Andov] I think that there are many misimpressions about us outside Macedonia, as though we can survive alone only because others support us. We can do it just like others in Yugoslavia. In this period of egoism and wholesale theft, we have been suffering great damage from everything that has been happening elsewhere in Yugoslavia. Just like the others, we can only gain from having accounts clear and above board. Up to now, we in

fact have been the ones most plundered: both in terms of foreign exchange and a tax on the monetary system. We have not taken our foreign exchange out of the country, and we have survived all those hit-and-run attacks and pillages. So why should we not survive without that? It can only be better for us.

We are the least to blame for that chaos, and we did not want it at all. Macedonia has only suffered—and its losses have been large. Whether that chaos leaves us or we leave it—in neither case are we afraid that we will be worse off. In the Yugoslav community, it would be better for us, but without those who have been stealing and taking advantage. We will not consent to that, we have no need for that kind of alliance. And we have had enough of pressures. That kind of thing cannot go on any longer.

[Jovic] In Croatia recently, we heard an assessment of a "natural Macedonian-Croatian alliance," above all vis-a-vis Serbia. What do you think of that thesis?

[Andov] It is idiotic. "Natural alliance" is something like "brotherhood and unity," pan-Slavism, a socialist alliance, and this and that. Everyone in politics has his own interests. We are allies of Croatia, of Serbia, and of Bulgaria and Albania, and of all others on the basis of interests, and only insofar as our interests favor it. That is why we have been proposing an alliance of sovereign states. Because that is in our interest, and we think that this is in the interest of others as well. It is up to them to decide whether they want an alliance or not. We do not think that a single Croat should die for Macedonia in internal ethnic conflicts.

[Jovic] What do you expect from the referendum on Macedonia's independence?

[Andov] We are great optimists. We think that we will obtain convincing support for the Macedonian policy conducted up to now. For that matter, the consensus in the parliament is an indicator of that.

[Jovic] One of the reasons why the Macedonian parliament is interesting is that the conflicts in it are great and long-lasting, but in the end consensus is usually achieved. Not only now, but also during election of the president of the republic and the prime minister, for example.

[Andov] You know what, the most important thing in Macedonia is that there is no impatience. Right now, we have been working from 29 July to 6 August—nine days of an uninterrupted session concerning the referendum. There are no reasons for an artificial show of consensus. We have made sure of each other in our mutual relations. We have patience.

[Jovic] Is that the reason why the tensions between Albanians and Macedonians have so far been far weaker in Macedonia than the interethnic relations in Kosovo?

[Andov] I will tell you how it is: First, the Albanians and Macedonians have never waged war against one another.

You understand? And then, throughout the entire period of the Turkish rule both the Albanians and Macedonians were disenfranchised subjects. In the old Yugoslavia, between the two wars, the Albanians had only just a few more rights than the Macedonians—they were at least called Arnauts or Shqipetars, but we had to be South Serbs. And so today when there are Albanians who show a desire to destroy the Macedonian state and to live in some other state, that is not the desire of the great majority of Albanians, but only of a small segment, of relatively marginal political forces. Back in 1880, the Albanians in this part of Macedonia joined the Macedonians in creating illegal governments and assemblies and in common resistance. At present, the political opposition occurs only in the case of certain Albanian intellectuals, because only some of them are advocating an expanded Albania here. But the Albanian parties are very loyal in their programs toward the territorial integrity of Macedonia. There are some politicians, especially in the NDP [People's Democratic Party], who have departed from that, but I think that they do not have any very significant support from the Albanian masses.

[Jovic] Does that mean that political equality is possible even without a formal political autonomy, even without provinces and krajinas?

[Andov] Yes, yes. There has been no demand here for any formal territorial autonomy at all. The Albanians explicitly declare that they do not want ghettoization. This is a democratic and free state for all its citizens; in it, everyone has ethnic and other civil rights. Even more than the minimum the European states grant to ethnic minorities. We expect the same things to be granted to Macedonian minorities in other places. We know that that would be difficult, that there is great resistance. But we will fight for those rights.

#### Causes for Failure of Croatian Defense Strategy

91BA1072C Zagreb DANAS in Serbo-Croatian  
20 Aug 91 pp 28-29

[Article by Marinko Culic: "Who Disarmed Croatia"]

[Text] About half a year ago, in mid-January, Josip Manolic made a statement which would have guaranteed him a place in anthologies even if he never made another one. He said that there would be no question of an attack of the Army on Croatia, because who had ever seen "an army occupy its own country?" Only a week later, a military strike against Croatia was avoided at the last moment, and afterward the Army never ceased its own threats toward it, and finally it carried them out. Nevertheless, similar assessments were to be heard even later, and it seems that this is indicative of the measure of "discernment" possessed by the most responsible people in the Croatian defense.

So far, the Defense Ministry has been headed by a succession of four queer ducks, some of them inevitably reminiscent of Muppets who have broken loose. One frightened his own side more than the enemy side,

another never did his military service, a third has up to now been raising tangerines, and the fourth was Spegelj. The departure of this man from a ministry, who was the first real soldier, opened up the first real questions about Croatian defense. Especially after Spegelj pulled the words from Ivica Racan's mouth, of whom he said that he "had reliable knowledge" that he was aware that before the election the JNA [Yugoslav People's Army] "secretly, to the last boot," was disarming Croatia's territorial defense. But he had done nothing about it. Unlike Cyril Ribicic, who also knew, but who opposed it, and the Slovenes preserved at least a part of their military supplies which the Army reached for greedily, but also, it is now evident, by design.

#### A Target of KOS [Counterintelligence Service]

Spegelj's attack on a man who until the day before had been a close collaborator in the SDP [Party of Democratic Reform] sounded a little strange, although the first move drew out Racan, who criticized the man who until recently had been his colleague in the party, for becoming "a point of support for militant currents in the ruling party." First of all, why were Racan and his statement important to Spegelj at this point, when everyone knew that it was Tudjman who had been decisively setting the beat in his life in recent months? He ordained him to be the Kutuzov of Croatian defense and gave him immunity before the military court. But he was also the one who later deprived him of all that and in just a few weeks transformed him from a minister into a target for KOS kidnappers. Why is Spegelj ready now to forget all that and from his safehouse accuse Racan for (perhaps) being to blame for the poor Croatian defense yesterday, not those who are to blame for the state of Croatian defense today? Does this preserve the last crumbs of security left to him? (Allegedly, there is a plan to set him up permanently somewhere across the border.) Is it possible at the same time that the right wing of the HDZ [Croatian Democratic Community], to which Spegelj is said to belong, judges that accusations as to the return of weapons should be lodged only against Racan? But then Tudjman and his close collaborators (Manolic first of all), who did nothing to get back the weapons that were taken, would be put on the target? To be assured that there are elements to support the latter accusation, one needs only remember Manolic's statement last year that insistence on return of the weapons would result in an unnecessary confrontation between Croatia and the Army. But at that point, Spegelj was already defense minister, that is, in a post from which he himself could have influenced decisionmaking on this question. Has Spegelj thrown the ball back into Racan's court in order to erase the recollection of this, especially because there is firm proof that even then the emptying of the warehouses of Croatian territorial defense had continued? Cases are remembered when Spegelj himself had to pronounce sentences against activists of territorial defense (on Mali Losinj, for instance), because they had allowed weapons to be transferred to the JNA's warehouses! It obviously does not suit Spegelj for people

to know about this today, and he is trying to cover everything over with ashes, declaring that his party colleagues in the former government had turned over all the equipment "to the last boot."

But in recent days, the public has also received the statement from Ivo Latin, who at that time was chairman of the Presidency of the Socialist Republic of Croatia, who in the meantime has refreshed his memories of God, but fortunately has not forgotten the profane things with which he once concerned himself either. "This is how it was: It happened, it disappeared, no one asked us, we protested like little Kalimero. I do not know how much was involved, but even today I say that it did not all disappear," he said.

#### Naive as a Little Chick

There is no doubt that the previous government really showed itself to be as naive as a little chick concerning disarmament of territorial defense (General Zdravko Novoselic, who at that time commanded Croatia's territorial defense, was the first to be satisfied with the explanation that the arms were merely removed to a safer place, and all the rest followed him in this belief).

But surely there is more than that behind the attack on Racan, probably including the accusation that the negligence of the former government was not accidental, but intentional. After all, when it was known even then what the Army thought of the HDZ, by allowing territorial defense to be disarmed, did not the new government in Croatia consciously give itself up to military execution, which has in fact begun with a delay of a few months? And then has not Tudjman, by establishing the coalition government that includes some of the most distinguished people from the former party in power, concluded an alliance with his own gravediggers, demonstrating that he is not sufficiently concerned about the operation of the HDZ as a party and should turn over concern for that to people who are more vigilant? This is to deliberately skirt the principal question, which is this: What are the key causes of the failure of the present Croatian defense strategy?

Has it failed solely because of the disarmament of Croatian territorial defense, or was it still more decisive that later Tudjman's representatives, including Spegelj, squandered all the other components of territorial defense, because they refrained from building their conception of defense on it and bowed to the conception of a "standing army"? By consenting to begin to build an altogether new army from the ground up, one in which only those who had proven their devotion to the new government would be enlisted, Spegelj knew better than anyone the risks that were being taken. The new army could very quickly become, as it did become, "more Croat" than the previous one. But from the combat standpoint it was reduced to a clumsy fighter painfully learning the first things about war and to "strategists" of Manolic's caliber, whose only trump cards were "there can be no war." Spegelj himself made certain efforts to

preserve at least some of the key personnel from Croatian territorial defense, which was dissolved (we know, for example, that he stood up for Troskot, commander of Zadar territorial defense, whom they wanted to get rid of and finally did get rid of, because he belonged to the previous government authority). What is more, during his first months as minister he favored the concept of a "republic army" that would grow up in the shadow of the JNA and would gradually emancipate itself and separate from it. But he soon gave himself up to the current, whose direction was capriciously controlled from the Upper City, although, at least in private, he must have known that he was giving himself up to a recklessness with an extremely risky outcome.

And this soon became evident. Croatia got an army, which even assuming maximum investments to purchase weapons, was not sufficient for its defense unless they opted for a desperate assault on the main units of the JNA, which ultimately Spegelj did propose. In addition, every new gun that was purchased ignited the "anti-Croat rage" in the JNA, which was altogether unable to understand that a competitive fighting force was growing up right under its nose and its attribute of the "one and only" army was disappearing irrecoverably.

Most important, this was a game for a third party—Milosevic. He also introduced his own Serbian army in the Serbian Constitution, but, seeing how things were going, he quickly about-faced and satisfied himself with a paunchy territorial defense under the eye and command of the JNA (the Serbian rebels in Croatia, who have been abandoning the outlaw type of warfare and are also inclining toward the arms and services of territorial defense, quickly learned the lesson, which explained why the colorful Captain Dragan left the scene after his first statement against the Army). Thus, the Serbian JNA, which up to now was Serbian in its composition, has now become Serbian in all other respects as well. Above all, in its common enemy—Croatia—which has done so little to avert what is being prepared for it.

#### Reorganization of Krajina Defense Units

91BA1074A Belgrade BORBA in Serbo-Croatian  
21 Aug 91 p 10

[Article by C.C.: "Creation of Larger Defense Structures"]

[Text] Knin—Following yesterday's closed meeting of the government of SAO [Serbian Autonomous Oblast] Krajina, which took up organizational matters in the defense field, a public announcement was made.

The conclusion was reached to establish with the greatest urgency a unified system of Krajina's territorial defense as the armed forces of Krajina and as a part of the unified system of armed forces of the SFRY. The decision of the defense minister to regulate the system of territorial defense was adopted; this calls for subordinating opstina territorial defense command centers of Knin, Benkovac, Obrovac, Gracac, Donji Lapac, and

Korenica and the zonal territorial defense command centers for Kordun and Banija to the Krajina territorial defense command center and to regulate territorial defense command centers according to regulations issued by the JNA [Yugoslav People's Army] General Staff.

The internal affairs minister and defense minister are commissioned to determine the numerical structure, equipment, purpose, and structural status of special-purpose units. The announcement also stated that insignia has been adopted for members of territorial defense units to be worn on the left sleeve (the Kosovo shield, crossed swords, the Serbian tricolor, and the name "KRAJINA").

The report of the prime minister of SAO Krajina was accepted to the effect that Internal Affairs Minister Milan Martic has been appointed deputy territorial defense commander and a member of the Krajina territorial defense command center responsible for police units. The government is commissioning the prime minister to conduct consultations at the earliest possible date and obtain the opinion of the government and national defense secretary concerning members of the Krajina territorial defense command center.

The concluding part of the announcement, which was signed by Lazar Macura, SAO Krajina information minister, states that the territorial defense command center of Krajina is responsible for organizing a training center.

At the end of the meeting of the government of SAO Krajina and the public announcement, Dr. Milan Babic, prime minister of SAO Krajina, gave newsmen a statement about the situation in the Krajina at the moment and the ultimatum sent to Kijevo:

"The situation on our southern front is as follows, and that means in the direction of these Dalmatian opstinas. Five brigades of Croatian guards and their other armed structures have been organized against Krajina, and according to our information, the armed forces of Croatia in the regions of Zadar, Sibenik, Drnis, and Sinj number about 70,000-80,000 members. And that is why it is essential that we set up our own organizational structure of territorial defense as soon as possible and create larger territorial defense structures. Up to now, we have had village guards and police units in small structures up to the company level. Now we will consolidate this in detachments up to the level of the brigade, and then there will also be our regular police units, the reserves, and the well-known special forces, which are large, but let their number remain a secret."

Babic then said that the meeting had debated the ultimatum and Milan Martic was asked to give a report and, according to Babic, explained that members of the Croatian MUP [Ministry of Internal Affairs] from the village Kijevo had frequently opened fire on the local Serb population and that the ultimatum was his response to those provocations. However, Babic went on to say, we have concluded that the station of the Croatian MUP

in Kijevo falls within the zone of responsibility of units of the JNA and that that buffer zone extends from the Serbian village Polace to the Serbian village Civljane. We have concluded that the JNA has jurisdiction there to maintain peace and order and that we will not commit any provocations for our part, regardless of that ultimatum. We will abide by the agreed truce and cease-fire.

#### Individual Republics Unable To Subsist Economically

91BA1037B Belgrade *EKONOMSKA POLITIKA* in Serbo-Croatian 12 Aug 91 pp 10-11

[Article by B. Ostojic: "The War and the Economy: Expensive Substitution of Markets"]

[Text] Although tardy and perhaps difficult to enforce, the order of the collective chief of state on unconditional cessation of armed conflicts in the crisis areas in Croatia is a measure which could at least denote the beginning of much more comprehensive activities aimed at revitalizing the now almost entirely dead economic flows on Yugoslav soil. The economy itself, on the basis of what was said in last week's meeting of the Executive Committee of the Economic Chamber of Yugoslavia, seems now to be showing an altogether obvious disposition (and intention) to outline most of those (comprehensive) activities and carry them out. To be sure, there still is no very promising concept in this sense. Nor probably will there be unless the "political factor" very soon shows some kind of ability to appreciate the dimensions of the general breakdown of the economic tissue which it has already brought about with its own irrationality up to this point. To that extent, the intention of representatives of business associations to indicate, each within his respective area, the main points at which the interrepublic ties which were previously established (with difficulty) are now being severed can be considered quite constructive in the present situation.

That is, the associations in the Chamber prepared for the meeting referred to analyses from which one could easily conclude what could (and must) have been known in advance: that the severing of economic flows imposed by politics brings everyone equal misery under our Yugoslav conditions; that is, no separate (republic) "economic system" can make up for the loss of markets in the area of Yugoslavia from which it is divided and do so successfully and without losses that are hard to make up. And to that extent, the calculations that in recent months have arisen from the modern competition on the topic of who will survive the general disassociation more easily are actually nonsense.

The consequences of the disintegration of Yugoslav economic space are being felt by all economic activities. Almost equally. To be sure, the "fuel and power people" say that "without going into the problems of other infrastructural problems" the electric power industry is continuing to function not only as a unified technical and technological system, but even as an economic

entity. But that is an exception. In coal production, there is an evident interruption in the supply of basic raw materials and production supplies to the markets. For example, they lack explosives which are used in methane mines and which, of course, have no substitute; and then it has become more difficult to obtain (specific) equipment and replacement parts (which come from the northwestern republics) and also quality timber for mine supports (from the same regions). As for the production of petroleum and natural gas, there has been no interruption of business relations for the simple reason that up to now they were oriented toward the regions where the production capacities are located. This does not, however, apply to sales and production of petroleum products. Here, politics is "involved in the economy up to its armpits," because it is resorting to the introduction of "unprecedented taxes" on the use of the Yugoslav oil pipeline and commercial space, is "suggesting" that parts of enterprises from other regions secede, and usurping the right of ownership (socialized), the right to set prices, and so on.

In the Chamber's Association of the Chemical Industry and Rubber and Nonmetallic Minerals Industry, they see the greatest problem in the fact that the production capacities of these industries, especially the raw materials segment, were scaled to meet the needs of the entire country. Any division of that Yugoslav market therefore hits them harder, because on the one hand they can no longer obtain raw materials and production supplies for processing facilities, while on the other they must cut back production, and that means inefficient operation, layoffs, etc. It is quite difficult for raw materials producers to market their products on foreign markets (in the case of tribasic sodium phosphate, titanium dioxide, synthetic rubber, gelatin capsules for the production of medical drugs, zeolite, etc.), if for no other reason than because this would presuppose an immediate improvement of competitiveness and production relative to that abroad, while consumers of those raw materials for purchases abroad must have foreign exchange (which, of course, is not the case). The interest unambiguously displayed to continue the cooperation there has been in the past along these lines between producers and consumers in the chemical and rubber industries (as well as in the nonmetallic minerals industry) is difficult to effectuate because of the direct influence of politics, which is prohibiting the public social accounting services from executing payment orders made out to enterprises from other republics.

Note was also taken of the alleged problem of the political commitments of foreign trading partners, who are either canceling their orders for certain regions (i.e., republics) or holding back deliveries previously contracted for, because they no longer recognize the guarantee of domicile banks. In these industries, transportation is also a very pronounced problem, because for all practical purposes the events of the war have closed the Adriatic ports (Kopar, Sibenik, and Split particularly, because transportation routes in the hinterland of these

ports has been cut off). Transportation by truck, because of the specific nature of the cargo, that is, the need for security and protection of the shipment, was broken off considerably before the general interruption of highway traffic.

Reports from the Association of the Forest Products Industry and Printing Industry indicate that business relations under prior contract between enterprises in different, i.e., belligerent, republics have not so far been formally canceled—but these transactions are not being realized as contracted for. "Established business relations are at a standstill," and, of course, there are no new arrangements. It is difficult, then, for goods to cross republic boundaries, most frequently because of a lack of confidence of being paid, which is the main reason for the (renewed) more intensive orientation toward exports, which this year are at last year's level in spite of the general decline of production in these activities: from 32 percent (pulpwood) to 50 percent (timber and lumber industry).

Construction contractors and building materials producers seem to see the most disastrous effect of the state of war in the fact that all deliveries of goods, equipment, and supplies can be anticipated only after payment has been made. What is more, they say that advance payment in cash very frequently does not guarantee delivery of the goods; and when (and if) the goods are shipped and must cross borders of the crisis areas to reach the customer, there are cases when the shipment is simply lost. Aside from that, long-term contracts still in effect (for delivery of equipment and tools in particular) are being canceled. It seems that splits of this kind have especially hurt large Belgrade firms like "Jimprom," which up to now has been purchasing automatic elevator equipment, for instance, from "Iskra" in Kranj; "Mostogradnja," which has been "importing" special tools from Slovenia and seamless pipe, alloy and low-alloy steels, and so on, from the Sisak steel mill. That is why the Belgrade construction "giants" are now very frequently canceling cooperation with firms from Slovenia and Croatia "because of the unbusinesslike practices of organizations" from those republics, which actually was observed even considerably before the current military conflicts.

In agriculture, the food processing industry, and the tobacco industry, according to the report from the association for these industries in the Chamber, the events of the war have upset practically everything that has up to now been functioning in some fashion. Wheat exports of about 1 million tons envisaged by the plan will almost certainly not be realized because of the blockade of the ports in Slovenia and Croatia. The only port open is Bar, which, however, is unable to meet the needs because of its inadequate capacity (and the harbor's shallow depth). In the eastern part of the country it has become completely impossible to obtain replacement parts for imported combines, because the representatives of foreign manufacturers of those parts are exclusively from Slovenia and Croatia. Contracts to take wheat and other

farm products are also canceled. Differences in conditions for doing business, i.e., differences in the opportunity of obtaining access to the domestic and foreign markets, are greater than ever because of differences in the policy of agricultural incentives from republic to republic. The altogether direct consequences of the state of war are as follows in these activities: a slowing down of production "because the work force is involved outside production (i.e., in the reserves of the JNA [Yugoslav People's Army])"; restrictions represented by increases in tax on commercial space and transactions involving goods from other republics; the legal uncertainty of enterprises concerning property and goods in the regions of other republics, etc. There are also significant problems concerning exports of livestock and meat, which largely went to Italy; that is, toward Slovenia, where such shipments, they say, are detained so long that the Italian customers lose patience, and in the last two weeks they have been canceling practically all purchases previously contracted for in Yugoslavia.

Probably the most serious consequences of the military conflicts are "being felt" in the transportation sector. Practically all branches have been affected, and the reason lies not only in the physical severing of communications, i.e., the closing off of railroads, highways, seaports, airports, and riverports—but also in the reduction of business activities already (partially) described and the drastically reduced number of people traveling. Passenger transportation on lines which are still in service, that is, where they have neither been interrupted temporarily nor severed by war, is being maintained at an average traffic of about 10 percent of capacity. In the trucking industry, because of the general uncertainty resulting from the frequent plundering of vehicles, it is typical for orders to stipulate that the goods be carried in vehicles of the supplier's own republic. Attempts to employ a foreign carrier have, of course, been unsuccessful: either for the same reasons of insecurity or because of the immense costs of insuring the shipment. The general attempt to reorient international highway transportation through Yugoslavia to safer routes (through Subotica, Budapest, Vienna...) presupposes prior resolution of the problem of transit permits for Hungary, Austria, and so on, which is not very easy in view of the principle of reciprocity. Tourism is an activity which, "coupled" with transportation, has probably been the hardest hit. Nothing (literally) has, of course, come of the planned foreign exchange from tourism (about \$5 billion) for this year. There have been no foreign visitors this season at all, and only the tourist industry of Montenegro can anticipate dinar revenues. It goes without saying, of course, that the smothering of this year's tourist business signifies at the same time a shutting down of a segment of the market for a number of other business activities in all the republics.

**Prospects for Changing Monetary System Viewed**  
*91B41038B Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 12 Aug 91 pp 21-23*

[Interview with Mitja Gaspari, former deputy governor of the National Bank of Yugoslavia, by Vladimir

Grlickov; place and date not given: "The Monetary System: The Reasons for a Resignation"]

[Text] There were quite a few people who expected Mitja Gaspari, deputy governor of the NBJ [National Bank of Yugoslavia], who departed together with other Federal officials from that republic, to return to a post in the NBJ after the end of the war in Slovenia. The belief was that his professional attributes would be extremely welcome as the attempt was made to get the joint monetary system functioning on new foundations.

Mitja Gaspari's resignation from the post of deputy governor of the National Bank of Yugoslavia may, then, be received as a great surprise. For those who are better informed, however, his departure from the National Bank of Yugoslavia was nothing new, because they have known for a long time his intention as a private person and recognized expert to make the move to the World Bank. What is surprising is that Mitja Gaspari should choose resignation as the manner of his departure from the National Bank of Yugoslavia.

Mitja Gaspari spoke to us about the reasons behind his resignation and his departure from the NBJ, and it was inevitable that the topic should arise of the prospects for the change of the monetary system, regardless of the level of observation, whether from the NBJ or at the level of the republic (republics). We also asked what would be the most sensible thing to do in this situation in view of the aspirations of sovereign states for complete monetary independence, in the absence of any new ideas about a possible monetary union and community on a new foundation?

[Grlickov] You have decided to make a move as a specialist to a position in the World Bank, and the important thing here is that the new job, according to my information, is in no way related or dependent upon anyone in Yugoslavia and Slovenia. It is simply that the World Bank, aware of your professional attributes, offered employment, and you understandably accepted it. The unfavorable domestic situation is certainly not an atmosphere "congenial" to your conceptions of community and of market-oriented pathways for getting out of the crisis. Nevertheless, why did you decide upon resignation as the manner in which you parted from the National Bank of Yugoslavia and made your transfer to a job in the World Bank?

[Gaspari] I received an invitation from the World Bank in which it showed an interest in employing me, and all of that was on the basis of past experience they had gained in work on joint projects, particularly, however, a project related to rescuing the Yugoslav banking industry. I had time to think about that offer, and when I saw that the situation in Yugoslavia, and particularly in my field, had for all practical purposes resulted in the ruination of the basic rescue project and that it had no chance of being appropriately and professionally worked out and verified—I decided in favor of the World Bank,

which allows me to use my professional expertise without having to engage in the kind of politics that exist here.

In the World Bank I will probably be working on the financial reforms of countries belonging to the EMENA group (Czechoslovakia, Poland, Hungary, Egypt, or the countries of North Africa). I am being employed for an indefinite period of time and I am going there as a private person, which means that in my new job I will not have ties to any state or any policy. So, I am going there exclusively as a specialist.

[Grlickov] Did the bad situation in the institution in which you have worked up to now perhaps have something to do with your departure?

[Gaspari] My departure from the NBJ was not personal, because there were no misunderstandings here. I am still on good terms with most of my associates, and I think that we will part in the same spirit. As colleagues, and indeed more than that, at least I hope so.

The situation in the NBJ is similar to what it is in other segments of the economy and politics in Yugoslavia. The National Bank of Yugoslavia cannot be isolated from the general environment, although for a long time we were spared those great stupidities which are committed in politics. But the situation is such that even the NBJ can no longer resist the pressures coming from the so-called environment. Specifically, the NBJ is no longer able to conduct a consistent monetary policy. What is happening today does not come even close to any kind of normal monetary policy, because it is taking on the fire-fighting role of overcoming an adverse situation on behalf of mere "survival."

[Grlickov] In this serious political-military situation perhaps there is no point in talking about such things as the quality of the instruments being used in monetary policy. Nevertheless, perhaps we should see what those instruments are, if for no other reason than to point up the danger of the kind of system to which our present policy and military conflicts are bringing us.

[Gaspari] The NBJ is losing the features of a central bank conceived as an independent and highly qualified institution that works on the stability of the domestic currency and on the effectiveness of the banking system. What is more, the instruments of monetary policy are not being conceived so as to lead in the direction of conducting a normal monetary policy.

[Grlickov] Nevertheless, the last thing one would say is that the reasons for the bad situation are to be found all on one side.

[Gaspari] I am certain that the National Bank of Yugoslavia itself cannot be the main or sole reason for the situation into which we have gotten. And I am convinced that the NBJ and Yugoslavia's central banking system could have set up the monetary system differently at the

time of the economic reform and the measures which the Federal Government adopted and was carrying out in practice.

[Grlickov] Could you state more precisely where the necessary changes in the monetary system were not made?

[Gaspari] The system set up in the Law on the National Bank is rather archaic and is not compatible with the efforts to be understood and possibly accepted in Europe. And this, in combination with all the unfavorable circumstances not directly related to the monetary system, imparted an overall and combined negative effect or tendency. It turned out that the system could not function, nor could monetary policy be effective, nor was the economy pointed in a progressive direction. We are obviously dealing with a total regression, and that also includes overall financial flows.

[Grlickov] It is true that the situation now is bad and there is war, but this need not last forever, and it is worth thinking about the fact that neither will the central bank go on functioning perpetually with all the faults it has today.

[Gaspari] Certainly, this trend cannot last forever, nor can the central bank function in its present fashion.

[Grlickov] Could you say more precisely what you mean by that?

[Gaspari] You see, in the latitudes where Yugoslavia is located I think that it is not possible to make decisions on the principle of a majority vote. Perhaps that is possible in Germany or France, but not in Yugoslavia, especially in the monetary sphere, when, for example, it is a question of the money supply or controlling the money in circulation. It creates conflicts and disagreements that go all the way to secession and disassociation. The Law on the Bank of Slovenia, whereby in practice it acquires the right of issuing its own notes, can be "justified," then, by the inappropriate monetary system, that is, by the Law on the National Bank of Yugoslavia.

[Grlickov] I recently had occasion to read your statement to the effect that all these events and "secessions," in this case from the monetary system, are not the result of tensions built up in recent months or two days, but are causes of a deeper nature.

[Gaspari] The problems have been "smoldering" for many years now, and in practice they have been frustrating the operation of the central banking system in a neutral fashion in the sense of the operation of objectively neutral instruments and in the sense of finding ways for indirect regulation of the circulation of money. This way, what has always been happening to us, and still is, is that the National Bank of Yugoslavia and Board of Governors have always seen the central bank as some kind of an institution that facilitates development (as though it were some kind of development fund), because there was constant talk about how to provide credit

financing for production in agriculture or production for export. And under those conditions there was no possibility of talking at the same time about implementing the principle that the central bank should concern itself with the stability of the currency. That is why today we do not have a stable banking system, nor do we have a stable central bank, nor do we have a stable currency. Or, if you like, we can put things the other way about: Because of the instability of the currency, everything else we have is unstable.

All of that leads me to the conclusion that the reform project was set up properly, but is ending pitifully, because much of what was conceived has disappeared. Nothing came of the effort to bring inflation under control or of the transformation of institutions which were supposed to provide support for the new system.

[Grlickov] Where do we go from here, that is, should we aim at a joint central bank or should perhaps the sovereign states "secede" with their note-issuing institutions even in the monetary sphere? I have the impression in this connection that the sensible motives encouraging community are only now becoming evident.

[Gaspari] I am speaking to you now as a private person, because I no longer have ties with the NBJ, because I cannot agree with the developments in the monetary sphere and monetary policy at the Federal level, on the one hand, just as I cannot agree with the ideas about certain constituent territorial units having their own currencies and their own monetary systems (accordingly, there is no place for me either in a Federal institution or in a republic institution). This is what I would say. The state is separating into layers, and it has no strength to put Yugoslavia on new and solid foundations as a community of nations (states or republics) of which they truly desire to be part and in which they would have appropriate rights and clearly defined responsibility. That is why I see no possibility, at least for any reasonable period of time, of my being involved in solving those problems.

[Grlickov] Nor do you see rational motives for creating four or five currency regions in Yugoslavia.

[Gaspari] Technically, that would be feasible, but if we eliminate certain emotional reasons, it will become evident that this is not a real solution. First, Europe would not accept that, because these are retrograde movements by contrast with what it (Europe) is pursuing; that is why they are not interested in supporting the creation of individual monetary regions with independent currencies. Europe will drive us to something which also seems like a rational solution to me. That is why I do not agree with the intentions aimed at Serbia, Croatia, or Slovenia having their own national currencies.

This would be an economically suboptimal solution for any unit in Yugoslavia that wanted to do that. Second, the republic, as an independent state, cannot be politically and monetarily sovereign and at the same time be open. Only in political terms can it be sovereign and at

the same time open in the economic and financial sense. But that presupposes that it cannot be monetarily sovereign. That sovereignty limits the room it has for its own economic effectiveness. If it is monetarily sovereign, then in economic terms it is shutting itself off, it has a small market, it loses a sizable portion of its present broader economic region. The markets of other states gain, and that, taken together, increases its costs—both transactional and other—and diminishes its potential social product.

This is an alternative which does not lead to prosperity, because people do not live on symbols, flags, emblems, cockades, and the like. This does not offer a good life and livelihood, because it does not afford an efficient economic environment, one that stimulates private initiative. Nor does it secure the minimum economic conditions that offer everyone approximately the same starting point for the conduct of business, so that those who perform better and more successfully will have greater opportunities. Economies of that kind must have appropriate market institutions, a consistent environment, and that means a well-ordered monetary, financial, and tariff system. At the moment, there is none of that—neither in Yugoslavia nor at the level of the republics.

[Grlickov] When you speak about the sensible solution that Europe demands, then one might think about some kind of monetary union in our context. Unfortunately, today that is not the preoccupation of anyone in the country.

[Gaspari] If I concentrate solely on the monetary system, I myself think that the interests of the various republics might coincide in a monetary union. They would be politically independent, but at the same time they would be able to derive some economic benefit for themselves through some kind of common economic space that would not be crisscrossed with various tariff barriers, taxes, and the like. So, it is better to achieve economic optimization at the level of the whole than at the level of the individual units. After all, it has turned out that the sum of those individual optima does not yield the results one gets when he optimizes the whole.

[Grlickov] Does a monetary union presuppose the existence of republic central banks (national banks) or not?

[Gaspari] Republic central banks might persist, but an agreement would have to be reached on what powers would be transferred to a central bank. There might be agreement on a single currency for everyone, and if that is not possible, then several currencies would be chosen, but there would be a fixed exchange rate. But several currencies presuppose additional costs, and I would therefore favor one currency that would be called the dinar. Of course, I assume a dinar with a stable origin, which is the concern of the republic central banks as well

as of the union's central bank itself, which again presupposes an independent monetary policy. I think that the decisionmaking system would have to be placed on a consensual foundation.

[Grlickov] The union's central bank would probably have sovereign powers.

[Gaspari] Decisionmaking concerning the most essential things would have to be transferred to it. Those, then, would be decisions on which the stability of the currency and the amount of money in circulation would essentially depend. The principle entity of the monetary union would operate on the consensual principle, and that not only in order to slow up decisionmaking, but so that the decisions are fully agreed to, and so that this will be a pathway for the strengthening of integrative elements in that union. In that way, I think it would be possible to arrive at better performances than those achieved today by the central bank or than those that would be achieved by independent central banks.

[Grlickov] Are monetary unions possible between our independent states and states which are not today within Yugoslavia (Austria, Italy, Hungary, Greece)?

[Gaspari] Such a union with other states would probably be possible, except that I think the one within the framework of Yugoslavia would be more natural for all those who during these years have established ties and transactions here. We have highly ramified commercial relations, as well as human relations, which are quite essential to the conduct of business. But if a union were formed with Austria or Italy, I think that that would not be optimal because of the higher costs that would arise. It is clear that that would mean an association with an economic space that is much stronger and more efficient than ours and in which it is more difficult to do business. In the case of the Yugoslav union, it is easier to undertake all those processes of getting closer to Europe.

In any case, our monetary union has more to offer. To be sure, no one is talking about it today when war is being waged on a large scale, but that cannot last forever. After the war, usually comes peace, and, regardless of how much we hate each other at this moment, the fact is that we will have to begin to talk and negotiate rationally.

[Grlickov] Are those who are belligerents today able to undertake negotiations and agreements, in this case concerning a monetary union?

[Gaspari] I do not know whether they will be able; in any case, that does not concern me. If they are not able to negotiate, then certainly others will be able. It is certain that people will begin to think about how to live, not only how to wage war. In my status as a private person, I am merely trying to look at things just a bit beyond my nose. And not to think about returning here in 20 years, but much earlier.

In any case, the upshot of it all, the thing essential to talking about anything, is trust. And trust is not created

by exchanging shots through the newspapers or from trenches, but only through negotiations. And if the negotiations are proper and honorable, then there could be more trust. But if the tendency is to keep something hidden beneath the table, that means a lack of respect, and the split will come quite quickly. In essence, the main thing we lack in Yugoslavia is knowledge about negotiations, we lack the basic craft of conducting negotiations. Effective negotiation does not consist of maximizing one's goals or interests, but of optimizing one's interests, in addition to allowing expression of the interests of the other parties to the negotiations (the opposing side). If everyone maximizes his interests, then there is no room for negotiation. Then in fact there is no need to negotiate, because this is usually done over rifle barrels.

[Grlickov] Might what the Federal Government has offered in the form of the proposed agreement on the functioning of the state serve as a basis for negotiations?

[Gaspari] I think that it ought to be done more professionally and not left just in a few paragraphs. It should not all be reduced just to securing the conditions to survive for a few months. Serious negotiations concerning Yugoslavia cannot be based solely on survival for three months, because that is too short a time to arrive at any kind of negotiating positions. Thus, those negotiations should incorporate long-term changes of the institutions essential to the functioning of the common state, the economic community, and indeed the monetary union on the territory of Yugoslavia, concerning the tariff and fiscal system.... These are essential things which cannot be left for later, for the time after the three-month moratorium, but they should be brought immediately into the context of the talks concerning the moratorium.

[Grlickov] In any case, the discussion of a monetary union presupposes vacating statutes adopted by Slovenia and Croatia concerning secession from Yugoslavia.

[Gaspari] Those statutes should be vacated. I spent the month in Ljubljana and I am sensitive to all the threads of that problem. And one comes to the conclusion that in a way everyone is right. Even the National Bank of Yugoslavia and the Board of Governors are right when they say that this is a secession from the monetary system in that acts have been adopted which are valid when they are published in the official gazette. In any case, I have stated earlier that adoption of the Law on the Bank of Slovenia constituted the last stage in formation of an independent state. However, in a way the other side is also right when it says that by signing the so-called Brioni declaration Slovenia and Croatia agreed that they would not apply those laws at all during the moratorium (the Slovene prime minister has so informed the Federal prime minister), but also that they do not know what more the NBJ Board of Governors wants now. If we have minimal trust that the laws will not be applied during the moratorium and the agreement will not be violated—there is no reason why the Board of Governors should

not remove the decision temporarily prohibiting Slovenia and Croatia from primary note issue.

[Grlickov] Specific documents are being sought whereby application of the "secessionary" statutes would be renounced. Otherwise, the Board of Governors is required to go further in its measures to protect the monetary system.

[Gaspari] The only effective thing left is to take away from the banks the authority to conduct transactions with foreign countries.

[Grlickov] And the "heavy" calling in of all those credits from primary note issue.

[Gaspari] That is not an effective measure, because it is not realistic to expect that the person who is supposed to return the primary note issue will do so. But taking away the important authorization with foreign countries is another matter, assuming, of course, that foreign countries accept the position of the National Bank of Yugoslavia and Board of Governors as the only authoritative one. But it is clear that at this point there is a danger of a definitive and irrecoverable disintegration of the monetary system.

[Grlickov] It is said that Slovenia and Croatia violated the decision of the NBJ and Board of Governors and nevertheless have been making use of primary note issue.

[Gaspari] The ban of the NBJ and Board of Governors states that banks in Slovenia and Croatia do not have access to the foreign exchange market, which has no significance at all, because it (the foreign exchange market) is not functioning anyway (perhaps there will soon be an intervention to cover the most necessary imports). The other ban had to do with issuing additional cash, which in a way signifies expulsion from the monetary system, and third, banks in those regions may not use new primary note issue and may not conclude new credit agreements with foreign countries.

[Grlickov] The story is that there have been large withdrawals of cash in spite of the decision.

[Gaspari] Not in Slovenia. In fact, cash there has been below the level allowed, but in Croatia and Serbia it was above that limit. I agree that cash was sufficient to avoid major problems. What is debatable is the selectivity in the decision which applies the restrictions only to those two banks. Nevertheless, those two republics have gotten their bearings, because they have found a mechanism through current accounts in the Social Accounting Service to withdraw cash, but in amounts no greater than those established in the country's overall monetary policy, not in the ban on its use. That was some kind of way toward normalization of relations between those two republics and the NBJ and Board of Governors. It was all aimed at some kind of survival. This does not mean, of course, a normalization of the use of appropriate instruments of monetary policy, because that

requires more thorough analyses and talks during this three-month period of the moratorium.

[Grlickov] There are those who think these are tactics whereby those two republics would obtain dinars so as to have the money to take part in the purchase (distribution) of the remaining foreign exchange reserves at the level of the country.

[Gaspari] It may be the other way around. Exclusion from the use of cash may be interpreted as a tactic to bring someone to his knees economically so as to make it easier to negotiate with him.

#### New Taxes for Financing 'War Policy'

91BA1037A Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 12 Aug 91 pp 9-10

[Article by Mijat Lakicevic: "Taxes: Bite After Bite"]

[Text] The government of Montenegro recently adopted a decision introducing new and additional taxes on tobacco, gasoline, and building supplies. It has been announced that the 220-230 billion dinars which it is estimated will be collected is to be spent to maintain the railroad infrastructure in that republic. A bit earlier, three new taxes were introduced in Bosnia-Herzegovina as well—on private housing, and then on owners of commercial space and winnings from games of chance. These funds had a somewhat different purpose—pacifying the heightened social tensions. At approximately the same time, the Slovene government introduced an additional 30-percent tax on imports of consumer goods. A levy of 40 percent is paid on imports in border traffic. What is more, physical persons are allowed to import only goods for which they have paid in cash, which means that they cannot import if they have to pay for goods with foreign exchange they have in the bank (because they cannot withdraw it from the bank).

Now, the already former Serbian government (headed by Stanko Radmilovic) introduced taxes near the end of its tenure that evoked outright consternation both in the economy and the public. As a matter of fact, in the former group it applied only to the private sector and those altogether rare socialized firms which are successful, because in practice it affected only them. Nevertheless, once again, in the spring, new tax burdens were imposed: the so-called surtaxes ("two dinars, comrade") on petroleum products, beverages, and tobacco. When it seemed there was no longer any room to collect revenues in this way, other methods were resorted to: that is, prices were raised, and that in infrastructural sectors (transportation, fuel, power, etc.), which in practice yields the same effects in view of the state's complete control over the economy. Finally, we dare not forget small business, that is, that part of the private sector which is registered not as enterprises, but as craft and trade establishments, toward which opstina authorities, in whose jurisdiction they fall, have been nothing less than merciless.

The most stable and, it would seem, least severe tax policy has been conducted in this period by Croatia, but this did not save Marjan Hanzekovic, the then minister of finance, from being attacked from both sides: on the one hand, by the economy, which was asserting that the levies were intolerable, and, on the other hand, by the social services, which were demanding higher taxes because their representatives were saying that they did not have funds even to meet basic needs. In the end, the government had to relent, to the advantage of these latter, of course, and about two months ago certain contributions were increased. However, in the meantime Minister Hanzekovic, with whose name this fiscal policy is associated, was replaced, and it is not very likely that the depleted Croatian state will fail to try something in this area, and because the economy is at least as depleted as the state, it is not hard to guess who is going to be run over. At the same time, however, municipal and opstina authorities have not been so generous by any means, but, just like their colleagues in Serbia, have been redoubling the burden on small businessmen. The situation in which they have found themselves can perhaps be best characterized by the fact that one of their delegations has called on Tudjman, president of the republic, to complain, but we know of no results from that.

All of this leads to one conclusion: that the burden of the crisis—more accurately, the war being waged in Yugoslavia—is increasingly and ever more directly being placed on private business and the public, which ultimately comes down to the same thing. This was not, of course, unexpected in the least, because the socialized sector of the economy has for all practical purposes completely collapsed anyway, and the severing of business ties and relations resulting from political and military conflicts have had the result that they are not producing the products or amounts they otherwise might have. So there actually is nothing more that could be taken from it.

It is not out of place to quote here an observation of foreign newsmen, who have traveled over virtually the entire world as war correspondents, from the Near East to Latin America, and who, they say, have never seen anywhere the attitudes toward property and the economy which they have recently encountered on the Yugoslav battlefields.

The sovereign Yugoslav states are taxing everyone who still dares to spend money on anything other than bread, salt (and perhaps a few other basic foodstuffs), in the literal and figurative sense. After all, for the life of a contemporary citizen, and we believe that we can still consider Yugoslavs contemporary, the economic infrastructure—the railroads, highway transportation (leaving aside air travel), post, telegraph, telephone, electricity, gasoline—have the same importance as bread, because without them contemporary life is unimaginable. That is why the film "New York 1997," which was shown last Tuesday on Program Three over Belgrade television, had a harshly realistic and topical impact (we would even say it was like a warning, if we believed that

anything can have the effect of a warning on our "little Titos," as L. Sekelj has called them). In that film a negative social utopia—the New York island of Manhattan, today the center of the business world—is abandoned and turned into a prison in which there are no police or laws, and in which there is no electricity, water, gasoline, nor sufficient food.... It is an irony of fate that during the showing of the film a message was flashed at the bottom of the screen that the Yugoslav Presidency had adopted a decision on an "absolute and unconditional" cease-fire. The film is (also) an industry, so that in it everything ends (relatively) happily, while in our case there is no certainty of anything like that, not even in relative terms. And Yugoslavia actually still has a greater chance of being such an island, a prison-state within the borders of Europe, and even the world, in which violence and crime are the only law. After all, when all kinds of boycotts, blockades, and other forms of economic warfare proved to be weak and inadequate, the switch was made to ordinary theft and highway banditry—trucks from enemy republics are being intercepted and plundered, and not just trucks, but ships as well. Thus, the Croatian police captured two tankers carrying 1,200 tons of petroleum for "Jugopetrol" in Belgrade at a point near Bosanski Samac, and trucks belonging to "Natronka" of Maglaj and "Zitoprodukt" of Prijedor had a similar fate; Serbian police, on the other hand, captured near Sid a truck belonging to "Mirna" of Rovinj, and so on. It is likely that these actions are related to the recent decision of the Croatian Assembly to "freeze" business and political relations with Serbia. That decision, however, did hardly more than sanction the status quo, because commodity and money flows between these two republics have been becoming weaker and weaker, and the latter have been severed almost entirely, and in this connection, according to Ivica Gazi, president of the Croatian Economic Chamber, Croatia is demanding from Serbia 10 billion dinars more than it owes it. Gazi offered one more reason for adopting the decision in question: that "Croatian property in Serbia has been almost entirely confiscated," and that according to certain estimates its value "ranges around \$500 million." We have thus entered a new phase of the economic warfare that has long been conducted on the soil of Yugoslavia and which, at least in formal terms, began just under two years ago with the Serbian boycott of Slovene goods, above all on the grounds of the Slovene attitude toward Kosovo, but also because the Slovene market was closed. The real war, however, blazed up at the end of last year when Serbia imposed duty on goods from Croatia and Slovenia and shortly afterward special fees on the display of signs for enterprises from other republics. The Slovenes responded by introducing levies on livestock, meat, and milk purchased outside Slovenia, and Croatia, after lengthy vacillation and many threats, introduced taxes on weekend cottages and vacation resorts of citizens of Serbia or Serbian enterprises on the Adriatic. The Constitutional Court has proclaimed all that unconstitutional, but without any effect whatsoever. Before the customs war broke out between Slovenia and the Federal

State, the Federal Government managed to obtain a promise from the republics that they would refrain from measures violating the unity of the Yugoslav market, but, as soon became evident, the highest government executive body had no better luck than the country's supreme judicial authority.

We did not embark on this digression, which has not really been brief, just to jog the memory, although even that has its point. But the question arises how we are to make the leap from this lawlessness to a law-governed state about which our present republic leaders talked to us so much during the election campaigns. As though, to go back to our main topic, they had simply competed in who would promise (their respective) people faster prosperity and more dollars per head. At present, that population is really getting it in the head, and, as we have seen, it is also being hit hard in the pocketbook. Those who previously did everything under the slogan "Europe at once" are now building a higher and higher wall against that Europe; those who promised investment cycles and a Swedish standard of living are now taking a bite out of everything that is higher than the Albanian standard of living. It is becoming more and more certain: What both the defeated and the winners, if there are any, will have in common after this senseless warfare, will certainly be poverty.

[Box, p 10]

#### A Tax on Vice Even in Croatia

One of the first decisions which Dr. Franjo Greguric signed as the new Croatian prime minister has to do with introducing an additional turnover tax increasing the prices of tobacco products and alcoholic beverages. Cigarettes produced under license, then, are five dinars per pack more expensive, and that is also the price increase per liter of hard liquor, while all other cigarettes are one dinar per pack more expensive, and wine and beer are one dinar more expensive per bottle. The decision was adopted on the basis of Article 69 of the Law on the Sales Tax, which opens up for the government the opportunity to introduce additional taxes as a temporary measure if it turns out that this is necessary to the stability of the economy and the supply of the market, or in order to realize the goals of social welfare policy. The maximum duration of such a measure is six months.

#### Serbian Compulsory Currency Exchange Scored

91BA1076B Belgrade POLITIKA in Serbo-Croatian  
21 Aug 91 p 7

[Article by A. Mijalkovic: "Reserves at the Market Rate"]

[Text] Last week, a requirement was adopted in Serbia whereby enterprises must relinquish to the state for the equivalent dinar value 30 percent of the foreign exchange they have realized from exports (and, of course, the dinar is calculated according to the official

list of exchange rates of the National Bank of Yugoslavia) so that our republic can create its own reserves. The compulsory sale of a portion of earned foreign exchange, which was adopted still earlier in Slovenia and Croatia, and in this part of the country has been in effect—we learned in the National Bank of Serbia—since 14 August, was not to the liking of exporters here, to say the least.

Successful Serbian exporters, it is true, are respecting their republic's need to have its own foreign exchange market and its own foreign exchange reserves, especially because the Yugoslav foreign exchange market—although that, according to Borisav Atanackovic, governor of the National Bank of Serbia—would be ideal, is no longer in operation. But they are asking at the same time why they have been chosen to be the victims.

#### New Taxes

"Certainly it is easiest to take away foreign exchange where it (still) exists, but that is not the smartest way. After all, who will be motivated to export if he will obtain only a portion of the foreign exchange he earns? This decision to replenish Serbia's foreign exchange reserves will greatly worsen the position of the healthiest part of the economy and society," is the opinion of Dragan Kremic, director for exports and imports in the Belgrade firm "Intereksport."

The old folk saying, "Don't kill the goose that lays the golden egg," seems to have been altogether forgotten. In order to replenish a treasury which the bad moves of the Federal and republic states have emptied and to repay the debts of failing enterprises, new taxes are being imposed on firms which are still somehow managing to do business abroad, and, still more important, managing to collect in foreign exchange. That is, even up to now exporters have not been able to put the entire amount in their treasury, because—depending on the bank—the banks used a certain amount of foreign exchange to cover their own previous and current obligations (in Beobanka, for example, that share was about 30 percent), so that now enterprises will be left only slightly more than half of their own inflow of foreign exchange.

#### Little Is Left for Raw Materials

Until the National Bank of Serbia has its account for these purposes, that is, an account abroad, those 30 percent of foreign exchange which it will purchase from enterprises for dinars will remain in the accounts of the authorized banks, merely being separated for operational purposes. Nevertheless, enterprises will no longer see that portion of their hard currency.

"The mandatory sale of foreign exchange to create Serbia's foreign exchange reserves is a factor aggravating the situation for exporters and it will put foreign trade, already weakened, into a still more difficult position. If we relinquish a part of our foreign exchange to the state, and do this at an unrealistic official exchange rate, with what are we going to purchase raw materials abroad?

Now that this measure has passed, we really no longer have any motivation to export. At least the state should purchase foreign exchange from us at the market value or at the higher rate at which banks have recently been purchasing it from individuals," says Miloje Srejic, general director of "Centrotekstil."

Time will tell whether this decision to create Serbian foreign exchange reserves in this way will do more good than the harm caused by "canceling" some of the foreign exchange earnings of the Serbian businesses. For the present, unfortunately, it is detrimental to both.

### **Serbian Peasants Oppose Land Return Costs**

*91BA1076C Belgrade BORBA in Serbo-Croatian  
21 Aug 91 p 16*

[Article by M. Drazic: "The Government Against (Its Own) Law"]

[Text] Dolovo—Following fierce words addressed to the government of Serbia, peasants from four southern Banat opstinas—Alibunar, Vrsac, Pancevo, and Kovin—have decided to come to Belgrade today, on Wednesday, to express their dissatisfaction with implementation of the Law on Return of Land to the Peasants to the body carrying it out—the government itself. The landowners have two general criticisms: one of the government order which, contrary to the law, passes the cost of the commission for return of the land on to the peasants, and second, the rate at which these applications are being processed.

The other day, for example, the heirs of Milan Drazilov of Dolovo, near Pancevo, received a ruling that within eight days they were to pay 37 dinars as half payment of the costs of returning 21 acres taken away from this farmer in 1953, when he supposedly concealed corn. The decision stated that the second part of the bill, being held up by adjustment of the first part—upward, of course—would soon be presented. Drazilov's heirs and grandchildren are teachers, and we all know what kind of pay and how much money they have, so that there is no way that they can get it together in eight days. For that matter, similar decisions have been received by peasants in the other opstinas mentioned.

"Now they are demanding the money from us immediately, and when we are paid for the corn, then we have to wait for the amount the state needs," is the reaction of the peasants.

On Monday evening, a joint meeting was held of peasants from four opstinas in the headquarters of the local community in Dolovo. The dissatisfaction was immense, but the proposals varied.

"We have had three alternatives in mind: to set off for Belgrade in large numbers, to block the highways, or immediately to squat on our own fields," Marko Bojtar, chairman of the committee of the Peasant Alliance in Dolovo, told BORBA. "Knowing how repressively the

state reacts, with police and indeed perhaps even the Army, we renounced those alternatives and decided to set off for Belgrade, to visit the government, with two representatives from each opstina. We have two criticisms. The first has to do with failure to respect the law, because Article 6 states that the costs are to be borne by the previous owner, usually a socialized farm. And that is surely proper when they have been using our land this long time. The second has to do only with the pace of processing the claims. At this pace, it will take them 10 years or so to process all the claims, which makes nonsense of the entire procedure. That is why we have prepared an offer: If the commissions are unable to process them all by 15 September, we ourselves will do it. We are able to honestly distribute the land and take over our own fields."

Because of this fierce reaction, there is a fear that there will be a conflict between the peasants and representatives of the government. This is Bojtar's response to this frightening possibility:

"Four lives were lost when the land was confiscated in Dolovo in the 1950's. Little is known about that. But if that happens now, the authorities must know—and this is not a threat, but a warning—that the government will pay with one of its own for every peasant life that is lost."

In any case, the government itself sponsored the law whereby the costs of the new survey are paid by the owner up to this point, and then it issued an order whereby the peasant would pay the costs of issuing the decisions.

### **Serbian Privatization Law 'Restrictive'**

*91BA1038A Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 12 Aug 91 p 12*

[Article by A. Damjanovic: "Privatization: Redistribution of Poverty"]

[Text] There still have been no extensive commentaries on the Law on Conditions and Procedure for Transformation of Socialized Property Into Other Forms of Property, which was passed last week in the Serbian Assembly in spite of the great importance which this bill could have for the development of economic relations. The public's utter preoccupation with military-political events seems to have put off the resolution of economic problems until the military conflicts are ended. However, the first impressions of the law clearly indicate that this is a more restrictive version than the one adopted at the federal level. This especially applies to the provisions which restrict the total value of stock which their owners may possess, and the level of the discount allowed in the purchase of stock is reduced. The government agency which is being established for the first time is also left the opportunity to verify retroactively the procedure followed in the transformation of those enterprises where there is doubt that a "realistic appraisal of the property" was made. However, even this development of events can be taken as success, especially when we realize that

the hard-bitten Socialist deputies wanted a still higher retention of socialized ownership, its transformation into state ownership, and then sale through an auctioning agency or through its own "paragovernmental institution."

The legislator's assertion that there was no ideological approach and no desire for a new experiment was meant to create the impression of an unbiased and modern law on the transformation of socialized property. However, the first article and first sentence of it allow socialized enterprises to "decide independently" on transformation into other forms of ownership, thus perpetuating the existence of socialized property as an equal form of ownership. As though the decline of industrial output this year by one-fifth from the same period of last year was not a sufficiently strong argument to shatter the illusions of the socialist politicians. Although he said in panic that "if we do not invigorate production, the economy will be ruined," Dusan Matkovic, minister for industry, when one of the deputies in the Serbian Assembly demanded that mandatory privatization of socialized property be prescribed, quickly embraced the current Constitution and the equality it provides for all forms of ownership before the law; and he concluded that "the market will show which enterprises are more successful." The development of the economic situation at the moment and particularly in the future, that is, the extremely retarded activity on the market, perhaps might logically raise the question of what enterprises on what market? And the government's self-praise that it did not want to enter into any unnecessary experiments with ownership is also debatable. After all, the forms of ownership are not debatable, but the severity of the times imposes a search for solutions that would open the way for flight from the unbusinesslike behavior, unproductiveness, and inefficiency of the Serbian economy. A policy of liberal privatization of socialized property that would imply free allotment of shares only to those who with their ideas, knowledge, and work are playing a decisive role in turning losing enterprises into firms with a stable business operation has still not been promoted in this republic. The roots of socialist self-management obviously go much deeper than the traces left behind by the totalitarian system of state management of the economy in the countries of what used to be the Eastern bloc, and which at this point are showing a far greater openness to new entrepreneurial initiatives.

The legislator's opinion that "sound changes cannot occur in a short period and in a spectacular way" is clearly felt in the rigidly conceived text of the law. Although increasing the real efficiency of the economy is stated as one of the main goals, no guideposts were planted that would suggest that. The simplest and most effective transformation of socialized property into private property is performed merely by a simple distribution of internal shares according to the criteria which are set. At the same time, it is anticipated that the employees will increase the value of their enterprise through additional capitalization. Such expectations from employees

living on the guaranteed minimum wage are utterly illusory in an economy like ours, which "is not generating capital, is on the verge of bankruptcy, and is operating with outdated equipment." As are the expectations of the workers that they will exercise their right to a dividend at the end of the year. The upshot of all this will be continued weakness of the motivational factor and a brittle structure of the management hierarchy, but at the same time employees will enter upon a new evolutionary stage of self-management, although this time there will be a confirmation of that act.

Perhaps the key question in the transformation of socialized property into other forms of ownership is how to increase efficiency, that is, how to generate profit. The answers are probably to be found at the weakest points of the socialist self-managed economy. Inefficient management is only a consequence of the combination of the impossibility of restaffing the business organization and the low motivation of potential management teams. In the advanced market economies, these negative effects are averted by the owners, by the major stockholders, by those who have an authentic economic interest in effective management and larger profit.

In our context, the interests of the major owners of stock and the desire to formulate an effective business policy might be realized through the group of the most ambitious people in the enterprise. The symbiosis of ownership and management would strengthen the position of the professional management and increase the motivational factor, and responsibility would rise to a level far higher than the value of the stock they possess.

When capital is spoken about in our context, the reference is usually to new money which is supposed to arrive from "outside," guaranteeing the slow death of the socialized economy. As though people have completely forgotten the human potential, which through its creativeness expresses the real differences between people and which is the ultimate creator of profit. Dr. Andre Yves Portnof, researcher and director of the well-known magazine *SCIENCE AND TECHNOLOGY*, recently spoke about "respect for freedom, the individual, and differences between people" in an interview for the newspaper *POLITIKA*. He spoke like a visionary about the new "creative society" in which people will be expected to supply "their intelligence, their creative imagination." He says of future states: "Countries able to guarantee their citizens a high level of culture that is open to change, to the conception and understanding of other cultures, to imagination, anticipation, and invention, will have decisive advantages in the intelligence revolution." However, whereas this "capital" already mentioned is continuing to grow rapidly abroad, there is no need to even think about the future of this society, above all thanks to our domestic policy. That future will be altogether "certain."

**Proposal for Resolving Kosovo Economic Crisis**

91BA1038C Belgrade *POLITIKA* in Serbo-Croatian  
6 Aug 91 p 13

[Article by A. Knezevic: "Salvation Lies in Shares"]

[Text] About 91 percent of the receivables of the Bank of Croatia from its debtors in the southern province can be collected only if enterprises go bankrupt. If on the other hand there should be bankruptcy in the Bank of Kosovo, the result would be the same, because this bank does the credit financing for about 90 percent of the economy of Kosovo and Metohija. The seemingly intractable Gordian knot of the province's economic crisis would therefore require an approach fundamentally different from those taken up to now.

A commission of specialists established by the provincial secretariat for finance takes that as its premise in looking at ways of overcoming the economic difficulties.

"The economy cannot create money, and so it has become clear that the best way is to restructure ownership and make the transition to joint stock companies," say Milenko Ristivojevic and Djordje Sibinovic, who have signed a plan that contains a proposal for getting out of the crisis. "Enterprises would issue internal and external shares. The internal shares, in the amount of the internal capital of the enterprise, would be purchased by the workers and thus in relative terms they would become the owners of property instead of debtors. The external shares, in the amount of the debt, would be taken by the Bank of Kosovo. And the shares, so that there is no confusion, are securities, but they make it possible to achieve two very important results. First of all, enterprises would free themselves of the ballast of a debt which they cannot pay anyway, and they would be able to do business in accordance with the new market laws. And then the bank would start to collect a possible dividend, and later it might sell the shares," Ristivojevic and Sibinovic say.

In order to avoid the mistakes that were made in certain earlier assessments of the value of enterprises, the proponents of this plan feel that it would be best to employ a government agency that would ascertain the market value.

"We feel that it is essential to emphasize that formation of the commission was not a governmental act like certain previous commissions, which judged how enterprises were to behave without exception. In this case, we have a commission of specialists offering advice only to those who want it. The commission will also take an individual approach to each enterprise. In our opinion, there are three types of enterprises in Kosovo and Metohija. The first are enterprises in heavy industry that would have to continue to operate because they constitute the basis of the province's economy. The second kind are mainly cooperative enterprises, and in their case the most suitable thing would be to apply the measures of canceling out in the economy. This means

that payment of the debt would be postponed for three years at the most, and in that case they would pay the entire debt, or half of the debt would be written off if it is paid off in one year. The third type of enterprises, according to all criteria, simply have to go bankrupt."

The proposed measures, our informants feel, would be linked to the existing temporary measures, and they would not work against the principles that already exist for restructuring the Serbian economy.

**Vojvodina Record Wheat Harvest Creates Problems**

91BA1076A Belgrade *POLITIKA* in Serbo-Croatian  
21 Aug 91 p 7

[Article by S. Zivkovic: "Peasants Have So Far Been Paid for 80 Percent of the Wheat"]

[Text] Novi Sad, 20 Aug—This year's wheat harvest in Vojvodina, which has just been completed, is the most bountiful in the history of this granary of ours. That is, a total of 2.333 million tons were harvested from 424,000 hectares: 1.35 million tons in the socialized sector and 983,000 tons in the private sector. The yield per hectare achieved is also judged to be extremely good, because on the average, five and a half tons of wheat were harvested per hectare, and on socialist farms all of 5.7 tons per hectare were harvested.

This was reported today in a meeting of the Vojvodina Executive Council in Novi Sad, and on that occasion it was said that private producers had already been paid for most of the wheat purchased (about 80 percent). These are quantities (662,000 tons) purchased by the provincial Commodity Reserves Directorate, and the money is expected in the next few days from the republic directorate for 80,000 tons that have been purchased. However, it was noted with astonishment that the Federal Commodity Reserves Directorate has not only not purchased a single kilogram of wheat from Vojvodina as yet, but, it was said, so far it has not even shown its intention to do so in the future.

It was also announced that so far about 30,000 tons of wheat from Slavonia, Baranja, and western Srem have been stored in Vojvodina silos, but that wheat is still being transported and accepted from those war zones. It was stated that the farmers there still had not been paid for this wheat, not because the money is lacking, but because they were waiting for agricultural cooperatives to be set up in those regions, and they are supposed to go into operation any day now. That is why the provincial Commodity Reserves Directorate and commercial banks will pay the peasants of Slavonia, Baranja, and western Srem for wheat during this week and next week.

Because in certain areas of Vojvodina the farmer cooperatives and agricultural enterprises are unjustifiably holding back money which the provincial Commodity Reserves Directorate has sent to peasants to pay for the wheat that has been accepted, the Executive Council

issued an order today for payment to be made in the shortest possible time (which means in the next few days) and that the appropriate provincial inspectorate become involved in supervision and monitoring of the payment.

The provincial government noted, however, that problems in the purchase of wheat from the socialized sector are still being corrected very slowly. There is evidence of this in the datum that milling enterprises have so far purchased only 42 percent of their declared needs, that is, only 457,000 tons of wheat. Because of the very grave financial situation in which Vojvodina millers find themselves, it is expected that the remaining 640,000 tons will be purchased by the mills from socialized producers in successive installments throughout this entire year, which will certainly cause new troubles,

because the producers will be forced to take expensive credits to pay taxes on inventories.

Primarily because of the need to make storage facilities available for over a million tons of corn and sunflower seed from the upcoming harvest, the Executive Council called for activities to begin immediately to export wheat which is the property of the provincial Commodity Reserves Directorate. In view of the very bad experience with the Federal Executive Council concerning exports of last year's wheat, when the Federal Government approved an export incentive of 40 percent, the Vojvodina Executive Council called upon the Federal Government to provide an export incentive of 60 percent immediately so that this year's wheat crop can be sold to foreign customers as soon as possible.

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